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BURNS CREEK PROJECT, IDAHO

HEARINGS

BEFORE THE

SUBCOMMITTEE ON IRRIGATION AND RECLAMATION

OF THE

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

EIGHTY-SIXTH CONGRESS

SECOND SESSION

ON

H.R. 1235 and S. 281

TO AUTHORIZE THE SECRETARY OF THE INTERIOR TO CONSTRUCT, OPERATE, AND MAINTAIN A REREGULATING RESERVOIR AND OTHER WORKS AT THE BURNS CREEK SITE IN THE UPPER SNAKE RIVER VALLEY, IDAHO, AND FOR OTHER PURPOSES

MARCH 24 AND 25, 1960

Printed for the use of the Committee on Interior and Insular Affairs

Serial No. 17

Part 2

(Questioning of Departmental Witnesses)

UNITED STATES
GOVERNMENT PRINTING OFFICE
53365 WASHINGTON : 1960

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BURNS CREEK PROJECT, IDAHO

THURSDAY, MARCH 24, 1960

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON IRRIGATION AND RECLAMATION
OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to other business, in the committee room, New House Office Building, Hon. Walter Rogers (chairman of the subcommittee) presiding.

Mr. ROGERS. The subcommittee now will continue consideration of H.R. 1235 by Mr. Budge, of Idaho, and S. 281 to authorize the Secretary of the Interior to construct, operate, and maintain a reregulating reservoir and other works at the Burns Creek site in the upper Snake River Valley, Idaho, and for other purposes.

The recollection of the chairman is that at the last meeting, we were proceeding to question the witnesses from the Bureau of Reclamation, and from the Fish and Wildlife Service. Mr. Bennett, Assistant Commissioner of Reclamation, Department of the Interior, is present and also Mr. H. T. Nelson, Regional Director, Bureau of Reclamation, Boise, Idaho. Do you and Mr. Nelson want to answer questions together?

Mr. BENNETT. I think that will be better, Mr. Chairman.

Mr. ROGERS. If so, you may both come to the witness stand. I think this line of questioning will go more to the cost of project and will not have a great deal to do with the fish and wildlife, so I think we had better wait a little on Mr. McBroom. Mr. McBroom, you come on up, if you will, where you will be handy there. There may be some questions that we will have of you.

Mr. Haley, the Chair will recognize you for any questions you may have.

Mr. HALEY. Mr. Bennett, has the Bureau of Reclamation reached the point in the western part of the Nation, where you have no further irrigation and reclamation projects that you could be working on?

FURTHER STATEMENTS OF N. B. BENNETT, JR., ASSISTANT COMMISSIONER OF RECLAMATION; H. T. NELSON, REGIONAL DIRECTOR, BUREAU OF RECLAMATION, BOISE, IDAHO

Mr. BENNETT. No, sir, Mr. Haley, there are a great many projects being investigated in our total program throughout the West.

Mr. HALEY. What is the justification for bringing this kind of a project to this committee, if you have projects out there that would

be more in line with what your Department was supposed to do in the first instance?

Mr. BENNETT. Mr. Haley, this particular project is one which we believe will develop and help develop the resources of the Snake River Basin. It involves multiple purposes. It has irrigation in it, which grew out of the need for additional irrigation water in the Snake River Basin. The available space and water to be in Palisades Reservoir was oversubscribed. That simply means they do need additional supplemental water in that area. The Burns Creek development will help obtain that. At the same time, it does have a value as a reservoir for power production. So we do get a multiple purpose out of this structure.

I think it is important to recognize that although there has been some cost allocations made here which do result in most of the project cost being allocated to power, there still is, nevertheless, a great benefit to irrigation out of this project, not only from the utilization of the 100,000 acre-feet of space in Burns Creek, but because the project will make available a rather substantial amount of energy that can be used for pumping on projects which are non-Federal.

Mr. SAYLOR. Will the gentleman yield to me?

Mr. HALEY. Yes.

Mr. SAYLOR. Mr. Bennett, did I hear you correctly when you said that most of the cost of this project was allocated to power?

Mr. BENNETT. Yes, sir.

Mr. SAYLOR. I just wonder if I heard the descriptive adjective you used.

Mr. BENNETT. I must say it is the right adjective as 98 percent is most.

Mr. HALEY. It is 98.3 percent.

Mrs. PFOST (presiding). Are you taking into consideration the acres of land that will be irrigated by pumping when power is supplied from Burns Creek project?

Mr. BENNETT. We have no way we can take that fact into our cost allocation, but I did want to come to the point that with the pumping energy that will be made available by Burns Creek, there can be a substantial development of irrigation through pumping. This would be non-Federal. So we have not attempted to take that into an allocation process. There are many ways in which you can arrive at an approximation of the number of acres that might be irrigated by this pumping energy.

You cannot be exact, because you do not know today exactly where it will take place, nor do you know what the pumping head would be. However, we have attempted to work that out to the best of our judgment.

Based upon our experience which we have just had on the Minnidoka North Side pumping division, we found there that the 588 farms, which average 115 acres each, use a total of 1,071 kilowatt-hours per irrigable acre. If we attempt to extrapolate that figure into an acreage total, we get 144,000 acres. However, we believe that the area which may be developed with this pumping energy probably will require a somewhat higher pumping head than we have on the Minnidoka North Side. Taking that into account, we estimate that somewhere

between 75,000 and 100,000 acres will be developed through use of the pumping energy made available by Burns Creek.

Now, these are non-Federal projects. Consequently, the part of the cost that is associated with the pumping energy is considered to be a power cost, and is interest bearing. It is because of these factors that we believe it is completely appropriate to recommend authorization of the Burns Creek project.

Mr. HALEY. With a reregulating dam in this general vicinity, could you furnish what little irrigation and reclamation is in this project which, of course, is very, very little?

Mr. BENNETT. No, sir; you could not. Now we have given consideration, as an alternate, to the possibility of constructing a single-purpose reregulating reservoir below Palisades, with a capacity of about 17,000 acre-feet. That was one of the things we studied, along with several other alternate ways of doing this job.

Our reconnaissance indicated to us quite clearly that a resorvoir of this type would permit us to carry on certain improved operations at Palisades, but it also showed us that we could accomplish the same improvement in Palisades by purchasing peaking capacity. Now the figures which we obtained showed us that the annual cost of obtaining the limited amount of peaking capacity which the Bureau system would require through a reregulating reservoir would be $82,700 per year. These same studies showed us that the same amount of peaking capacity could be purchased for approximately $41,000 per year.

Consequently, we did not believe that we were justified in contemplating such an investment by the United States. At the same time, a reregulating reservoir of only 17,000 acre-feet for the improvement of Palisades power operation would not accomplish the two things of water conservation for additional supplemental water, nor production of pumping energy whereby additional acres of non-Federal development might be brought in.

Mr. HALEY. So your statement is that you could not build a dam anywhere around this particular location and get the irrigation that you say is in this for the use that you would put this water to that is not used for generating energy?

Mr. BENNETT. I do not think I said quite that. If you want to talk about some type of a reservoir, solely for the purpose of obtaining additional irrigation water, that is another item. We have under investigation now a reservoir above Palisades in Wyoming, which could provide additional irrigation water. But it looks to us today like such a reservoir will never be built or, at least, would not be built for a long, long time, because of the opposition that grows out of two things: First, the inundation of certain lands in Wyoming; and second, the cost probably will show a nonjustified project.

Mr. HALEY. Mr. Bennett, you heard the statement here made about the fact that in the last 50 years, I believe, it was that there had been a shortage of water, and the amount of shortage that you had at those particular times ran up into millions of feet, did it not?

Mr. BENNETT. I do not recall that it was millions of feet, but certainly there has been a long history of shortages of irrigation water throughout this area.

Mr. HALEY. There has been a shortage of water?

Mr. BENNETT. For irrigation purposes, throughout this area; yes, sir.

Mr. HALEY. Now was not the testimony here that there was only 3 years that this irrigation project would have been brought into play over that length of time?

Mr. BENNETT. The testimony which was made was that when you analyze the Burns Creek addition by itself it indicates that I think it was twice in the study period, which ran a little more than 25 years, 100,000 acre-feet of capacity in Burns Creek would be used by the irrigators, as insurance water.

However, when you have the two reservoirs operating together, you have the effect of the total capacity being used almost every year.

Mr. HALEY. Nevertheless, Mr. Bennett, regardless of what you have tried to put into the project, it is not a feasible project based on the criteria that has been hitherto used, if it had to stand alone. Is that correct?

Mr. BENNETT. No, I do not think that is correct, if I understand your statement.

Mr. HALEY. Let me ask you this: Is it your belief and the Department's belief that you are operating something in the Department down there to build powerplants? And that is what this is. Is that the belief of the Department that you are to build huge dams to operate powerplants—period?

Mr. BENNETT. Not necessarily as a sole function, no.

We have, and I so testified last August, in several instances built similar types of reregulating reservoirs. Keswick, for example, that is below Shasta Dam, is purely and simply a reregulating reservoir to improve the power functions. We have several others of a very similar kind.

Mr. HALEY. Let me ask you this: If you build this plant at a cost of what—$50 million; is that your estimate? Of course, it will go higher than that; you never have come up here with an estimate I have ever seen which did not come out to practically twice what you had in there. But suppose you built it at that cost, and this project had to stand alone, it could never pay even the interest on the money. Is that not approximately correct?

Mr. BENNETT. If you mean if you take a Burns Creek at a cost of approximately $45 million, attempt to pay out that cost alone at the present Palisades rate, it would not pay out in 50 years, that is correct.

Mr. HALEY. Even with the power that was supposed to be kind of a side product in these irrigation and reclamation projects, even using that, this project would not carry the interest on the money that you borrowed from the taxpayers of America, would it?

Mr. BENNETT. I think that is a correct statement, but I do not believe that this is a correct way in which you should look at this particular development. It is not the way in which that kind of a development is looked at, even in the utility business. They have plants in their system wherein the cost of producing the power and energy is above their average.

Mr. HALEY. But they do that because they have to meet a peak-load or something. What is your justification? Can the facilities

now present plus, the facilities of private companies out there meet the need at the moment of this part of the country in power production?

Mr. BENNETT. Certainly, there is no question about that. As the powerloads grow, certainly the utilities can expand to meet those loads?

Mr. HALEY. So you think and it is your attitude and the attitude of your Department that you are going to come in here and build a powerplant, and that is what it is, even regardless of the fact that by your own admission the operation of that powerplant will not even pay the interest on the money you borrow.

Mr. BENNETT. I say if you compute as a single isolated powerplant at the existing Palisades rate. That is where the numbers fall, that is correct.

Mr. HALEY. This same site was there, this knowledge was available when you put in Palisades. Why did not the Department come in then and tie this to Palisades? Were you afraid that if you did, you would not get Palisades?

Mr. BENNETT. No, sir; I do not think that was involved in any decision to recommend Palisades at that time. Palisades, as conceived at that time, was adequate to do the purpose, as we saw the purposes and the functions at that time.

Mr. HALEY. Then, by your own admission, you did not look very far ahead, did you?

Mr. BENNETT. I don't think that is right; no, sir. We could anticipate, even at that time, a future need for a lot of things, but we did not think it was appropriate, as we do in many cases, to come in and ask for things to be authorized which would not be needed for several years.

Mrs. PFOST. Will the gentleman yield?

Mr. HALEY. Yes, madam.

Mrs. PFOST. Is it not a fact that the Burns Creek was contemplated and discussed at the time Palisades was constructed?

Mr. BENNETT. That is correct. As a matter of fact, even the Federal Power Commission, in reviewing our report on Palisades, pointed out the desirability of a reservoir below Palisades.

Mr. HALEY. Knowing the situation, you did not come in, at that time, and recommend the building of this project.

Mr. BENNETT. No, sir; we did not.

Mr. SAYLOR. Will the gentleman yield?

Mr. HALEY. Yes.

Mr. SAYLOR. Where in your report on Palisades can you find the evidence to substantiate the statement you have just made?

Mr. BENNETT. The one that we did not recommend Burns Creek at that time?

Mr. SAYLOR. No, that in your report on Palisades that you recommended the reservoir below Palisades.

Mr. BENNETT. My statement was that in commenting on our Palisades report, the Federal Power Commission pointed out——

Mr. SAYLOR. Wait just a minute. Let us get you pinned down once and for all. The Department never mentioned it. The Federal Power Commission recommended, or mentioned, the advisability of it, but the Bureau never mentioned it.

Mr. BENNETT. I think, Mr. Saylor, that is exactly what I just told Mr. Haley——

Mr. SAYLOR. No; that is not, and I would like to have the reporter read——

Mr. HALEY. I request the reporter to read what the gentleman said.

Mrs. PFOST. The reporter will read the record.

(Whereupon, the reporter read the record as follows:)

Mrs. PFOST. Is it not a fact, Mr. Bennett, or perhaps Mr. Nelson can answer this, that the Burns Creek was contemplated and discussed at the time Palisades was constructed?

Mr. BENNETT. That is correct. As a matter of fact, even the Federal Power Commission, in reviewing our report on Palisades, pointed out the desirability of a reservoir below Palisades.

Mr. SAYLOR. I apologize to you, because I did not hear you say the Federal Power Commission. But I again reiterate my statement that the Bureau of Reclamation, on their own, never made that statement, until the Federal Power Commission came along and recommended it, and that was after the Palisades had been approved.

Mr. BENNETT. You are certainly correct, Mr. Saylor, we did not recommend it.

Mr. SAYLOR. Recommend it? You did not even suggest it.

Mr. HALEY. I want to get this straight in my mind. It is your view and the Department's view that regardless of the amount of reclamation and irrigation which, in many cases is very minute, it is still the views of the Department that they should come to the Congress, under the present laws that you have, and recommend projects of this kind?

Mr. BENNETT. I think, Mr. Haley, when a project of this kind that serves a multiple function and helps to develop the particular resource of the river that that then is a correct statement.

Mr. HALEY. Even in view of the fact that practically this same thing could be accomplished by the building of a reregulating dam, if you want to call it that, at a cost of $4½ million?

Mr. BENNETT. As I pointed out a bit ago, we do not believe that a single-purpose reregulating reservoir would accomplish these same purposes.

Mr. HALEY. Not all of them; but I mean insofar as your water supply—and that is what you keep talking about here on this river. It would accomplish the same thing as to the impounding or regulating of water, would it not?

Mr. BENNETT. Certainly you could build a small reservoir here that would accomplish the straight reregulation of Palisades releases, which would permit you to vary the releases at Palisades to a greater extent.

Mr. HALEY. So the real objective of trying to build this project is for the power, pure and simple, is it not?

Mr. BENNETT. No; I do not think you can go quite that far. I think there are these other objectives that cannot be overlooked.

Mr. HALEY. Now enumerate some of them. How much flood control have you got in this?

Mr. BENNETT. We have no flood control in Burns Creek.

Mr. HALEY. How much wildlife conservation? How many more fish are you going to raise out there, if you build this dam?

Mr. BENNETT. Mr. McBroom will get into the matters of fish and wildlife a little later.

Mr. HALEY. I would like to ask him now. He has testified here, has he not, Madam Chairman?

Mrs. PFOST. Did you testify last year?

Mr. MCBROOM. No, madam; I do not believe I did.

Mr. HALEY. Have you testified so far?

Mr. MCBROOM. I do not believe so.

Mr. HALEY. Have you filed a statement?

Mr. MCBROOM. No, sir.

Mr. HALEY. Get that up and tell me how much more fish you are going to have out there when you build that dam. I would like to know.

Mr. MCBROOM. I can respond to that question right now, Mr. Haley, if that is the wish of the committee. There are no fish and wildlife benefits in this project.

Mr. HALEY. I am trying to find out what there is in this propect, except power. I do not see anything in here, except power. If you want to come in here and make a clean breast of this thing and say we want to build a power project out there on the Snake River, that is one thing. But to come in here under the irrigation and reclamation law with a phony like this, I think it is about time they ought to have either a house-cleaning or brainwashing job down there in that Department.

I do not even think you have authority under the law, at the present time, to build this project. And you come up here to try to bamboozle the Congress into building something that was never—do you believe when they passed the irrigation and reclamation laws that it was designed to build projects of this kind?

Mr. BENNETT. I think the Reclamation Act of 1939 certainly permits projects of this kind, and under that act, several projects of this kind have been built.

Mr. HALEY. I reserve the balance of my time, Madam Chairman.

Mrs. PFOST. The gentleman from Pennsylvania?

Mr. SAYLOR. Mr. Bennett, on the 24th of February, 1960, did you appear on a panel in St. Louis, Mo.?

Mr. BENNETT. Yes, sir.

Mr. SAYLOR. Madam Chairman, I would ask unanimous consent that the statement which Mr. Bennett made for the power supply panel of the National Rural Electric Cooperative Association in St. Louis be made a part of the record at this point.

Mr. HALEY. Reserving the right to object—and I will not object—is the gentleman going to use this at the moment? What I want to do is read it myself.

Mr. SAYLOR. I am perfectly willing, but I want to ask the gentleman certain questions about his statement.

Mrs. PFOST. While the gentleman reserves his right to object, does the gentleman from Pennsylvania wish to proceed?

Mr. HALEY. The gentleman from Pennsylvania, if I may say so, can have it just in a second. I withdraw my reservation.

Mrs. PFOST. Is there objection to the unanimous consent request?

Hearing none, it is so ordered.

Mr. SAYLOR. Now, Mr. Bennett, on page 2 of your statement appears the following:

Economic feasibility is governed more by philosophy than by science.

I want you to explain to this committee what you mean by that statement.

Mr. BENNETT. I will be happy to. I think the statement is explained a little further on in the statement. The problems of economic feasibility on almost any type of a development have been changing throughout the years. I use an example in that particular statement of the situation as between the terms under which a banker would have loaned money for house construction many years ago.

I point out in there at some years back, had you asked for a 30-year loan on which to construct a house, you could not have even received favorable consideration. However, today, 30-year loans for construction of houses are generally commonplace. That is one aspect of changing philosophy on feasibility.

I talked there of feasibility in its broad aspects. The reclamation law itself has changed on feasibility down through the years. The original act, if I recall correctly, required a 10-year repayment by the irrigators. That, subsequently, was changed. I think the next one was a 20-year period. That again was changed in 1939 to permit a 40-year repayment period by the water users.

Subsequent to that time, the Congress has authorized many projects with 50-year repayment periods. These are the things I am talking about in terms of philosophy of feasibility and it being a changing thing.

Mr. HALEY. Will the gentleman yield?

Mr. SAYLOR. Yes.

Mr. HALEY. In the meantime, then, Mr. Bennett, there have been changes probably in the basic law.

Mr. BENNETT. I beg your pardon?

Mr. HALEY. In the meantime, there has been a change in the irrigation and reclamation law?

Mr. BENNETT. Yes, sir, as I pointed out it has grown from an original concept of 10 years to where the 1939 act now specifies contracts of 40 years.

Mr. HALEY. In other words, we did not want to go socialistic all at once, just do it gradually, is that correct?

Mr. BENNETT. Even subsequent to that time, 50 years has been authorized by the Congress in projects.

Mr. SAYLOR. Not by law.

Mr. BENNETT. Yes, sir, we have many special acts of Congress on authorizing projects that spell out the 50-year period.

Mr. SAYLOR. On individual projects, but not in the basic reclamation law.

Mr. BENNETT. That is correct, the basic reclamation law gives the Secretary authority to go to 40 years on irrigation.

Mr. SAYLOR. Now where in the basic law do you find any authority for the Secretary to go to 50 years on power?

Mr. BENNETT. The 1939 Reclamation Act limits the Secretary to signing a 50-year repayment contract on power. It does not specify the time of payout of power facilities.

Mr. SAYLOR. Now just a few minutes ago, in response to a question by Mrs. Pfost, you made a great to-do, reached up into the wild blue yonder and came down with a figure of 75,000 to 100,000 acres that were going to be irrigated as the result of construction of the Burns Creek Reservoir, as you propose it. I want you to point out to the committee where in the Department report is any indication that there will be 75,000 to 100,000 acres of new land brought into production by the erection of this reservoir.

Mr. BENNETT. The basic report on the Palisades project does not utilize that number. It simply points out the availability of about 145 million kilowatt-hours of pumping energy.

Mr. SAYLOR. So that there is absolutely nothing in your report which has cleared all of the departments that would give you any basis whatsoever to come before this committee and tell us that now you are going to place in production 75,000 to 100,000 acres of new land.

Mr. BENNETT. As I indicated, those figures are not in the report. This is an attempt to indicate for the benefit of the committee probably about how many acres the 145 million kilowatt-hours could serve, based upon our knowledge of pumping heads and things of that kind.

Mr. SAYLOR. Of course, that does not take into consideration the inconsistent position you now find yourself in by having had the mayors of several towns in Idaho come here and tell us that they wanted to have all of this power for their own development, does it?

Mr. BENNETT. They do not want this so-called pumping energy. They are asking for, and he was testifying on the basis of the so-called firm energy.

Mr. SAYLOR. So that you are going to now tell this committee that you are going to put into irrigation 75,000 to 100,000 acres of land from nonfirm power. Is that correct?

Mr. BENNETT. This is not classified as nonfirm power, this is pumping energy that is available every summer for that purpose. It is not firm because it is not there in the wintertime, but it is firm power for pumping purposes.

Mr. SAYLOR. Now, Mr. Bennett, some time ago, you became a rather controversial figure because you made the statement that you thought that there was a public utility obligation as far as the Federal Government was concerned in supplying power. Is that correct?

Mr. BENNETT. Mr. Saylor, I attempted to answer that to the best of my ability as clearly as I could during the hearing before this committee in August. I will be most happy to repeat that.

We do not feel that we have what has been termed a utility responsibility. I think this is obvious. If we had such a feeling, if we had had it down through the years, we would have been in the process of trying to construct steamplants. Right at the present time, for example, in the Missouri River Basin, we have been limited there on our allocations of Federal power available from the hydroplants to allocating to the customers only 83 percent of their anticipated 1963 load. If we thought we were in the utility business, we would have been trying to secure authority to construct steamplants to meet the needs 100 percent. We have not done that, we do not contemplate doing that.

Mr. SAYLOR. The reason I ask that question is, while that may be your statement and belief, every time anybody comes around and tries to ask you to explain your position of building the Burns Creek project and selling the power at a loss, you always come back with the answer that public utilities do it. So that despite your now denial of the fact you do not have that philosophy, you continually come back to it in every answer that you give to this committee.

I would like to ask you to comment on this statement:

A plan of sale from an all-Federal development at a pooled rate is undoubtedly acceptable operating procedure but in diluting the loss represented by the differential of more than 7-mill cost and 5-mill pooled sale price, the only result is to make the loss less obvious.

I would like to know whether or not you agree with that statement.

Mr. BENNETT. If I understood the statement, I do not think it was one I made.

Mr. SAYLOR. I did not ask you whether you made it or not, I asked you to comment on that statement.

Mr. BENNETT. I am not exactly sure, whoever made the statement, what they were trying to get to. I think what this type of rolled-in cost does is well illustrated by the very example before us, Burns Creek and Palisades. The effect of adding to the Palisades system at Burns Creek and pooling of the costs has the effect of lengthening the payout period of the Palisades. I do not know whether you term that a loss or not.

We had, as you recall, a great deal of testimony on a somewhat similar situation in connection with the Trinity. The effect, if you want to look at it, from that angle, is that without the addition you can at some period of time accumulate what is generally called a surplus, if you put the addition on that surplus over the same length of time becomes less. I do not think it is an effect of hiding a loss. I think, as a matter of fact, the figures actually bring out exactly what happens when you do this.

Mr. SAYLOR. Well, that statement that I read to you was made by the Honorable Fred Seaton, before this committee on the hearings on the joint development proposals for the Trinity power facilities. Let me read it to you again:

A plan of sale from an all-Federal development at a pooled rate is undoubtedly acceptable operating procedure, but in diluting the loss represented by the differential of more than 7-mill cost and 5-mill pooled sale price, the only result is to make the loss less obvious—

and then continuing he said—

If ratepayers do not absorb this loss the Central Valley project in its entirety will. There is no alchemy in this pooled rate which can, or will transform a loss into a gain.

Now, substituting the word Trinity for Burns Creek, how can you justify the Department's absolute opposition?

Mr. BENNETT. I think the fact and figures on Burns Creek do show exactly what that statement says, that when you add Burns Creek to Palisades, it is the system that makes the payment. In other words, as I indicated a moment ago, your surplus at a point of time is less when you add the Burns Creek than it is when you do not, and I believe that is the sum and substance of what that statement is saying.

Mr. SAYLOR. In other words, you then concur in the fact that under the proposal which the Bureau has brought before this committee, you expect to produce this power at Burns Creek and sell it at less than cost?

Mr. BENNETT. Measured in terms of an isolated Burns Creek, that is correct. We would propose to sell it at a system rate.

Mr. SAYLOR. All right. I think the record is clear that power production at Palisades project is entirely incidental to the operation of that reservoir for irrigation and flood control. Do you agree with that statement?

Mr. BENNETT. I think that is correct. The primary function of the Palisades project was to supply irrigation water. It does, nevertheless, provide a very important power function.

Mr. SAYLOR. All right. Now, Assistant Secretary Aandahl, in his letter of September 26, 1958, to Congressman John Taber, confirmed that statement and went further and made this statement:

> The Palisades powerplant could not be operated in such fashion as to create downstream surges detrimental to irrigation.

Do you agree with that statement?

Mr. BENNETT. Yes, sir.

Mr. SAYLOR. Has the Palisades powerplant, since it went into operation, been operating under a criteria that the daily variation of water releases from the power operation is limited to 1,000 cubic feet per second?

Mr. BENNETT. I think, as I recall, the 1,000 second-foot figure is the nonirrigation season limit. The irrigation releases control during the summer months.

Mr. SAYLOR. If this Palisades project has been operated in accordance with the criteria which you have furnished to this committee, and to the other committees of the House, is it true that the releases do not create downstream surges detrimental to irrigation?

Mr. BENNETT. Under the present method of operation, that is correct.

Mr. SAYLOR. All right. Under this criteria, what would be the maximum daily variation in water level at Heise during the irrigation season?

Mr. BENNETT. What would be the maximum permissible variation. What we try to do at the present time is to keep the flow relatively constant and try not to make variations during the irrigation season. That is why we cannot obtain the best type of a power operation at Palisades.

Mr. SAYLOR. Therefore, the variation at that point would be very little, is that correct, during the irrigation season?

Mr. BENNETT. That is correct.

Mr. SAYLOR. Under this criteria, what would be the maximum daily variation in the water levels at that same spot during the winter months?

Mr. BENNETT. During the winter months, you do not have to hold quite such a tight schedule and the variation runs possibly a foot in level.

Mr. SAYLOR. If this Burns Creek project is authorized, as the Bureau has proposed, do you propose to operate it as a power facility under the same criteria as are in effect for Palisades?

Mr. BENNETT. That is our intent. By releasing the water at the same approximate rate out of Burns Creek, then you can release at varying rates out of Palisades.

Mr. SAYLOR. Will not, therefore, the daily variation in the downstream water levels be the same with the Burns Creek operation as they are in effect with the Palisades operation?

Mr. BENNETT. That certainly will be our objective.

Mr. WESTLAND. Will the gentleman yield?

Mr. SAYLOR. Yes.

Mr. WESTLAND. With the Burns Creek reregulating reservoir, would it not be a fact that the Palisades power project could be operated more efficiently?

Mr. BENNETT. That is correct, that is the point I was making a moment ago.

Mr. SAYLOR. Have you made it clear to the irrigators downstream that there will be no difference in the water levels during the irrigation season, whether Burns Creek is constructed or not?

Mr. BENNETT. Yes, sir; there have been several meetings with the downstream irrigators at which these items have been explained.

Mr. SAYLOR. Have you also made it clear to the people who are irrigating downstream from the Palisades that the surplus power revenues from Palisades will have to be utilized to pay the interest costs of the Burns Creek project?

Mr. BENNETT. Yes, sir, these items have been discussed at great length with the water users.

Mr. SAYLOR. Have you any press releases that you can show to this committee in which you have made this disclosure to the people in that area?

Mr. BENNETT. I do not recall any press releases we have made on this, but we have, of course, furnished the water users with copies of the report to show these things very clearly, and as I say, we have explained it to them.

Mr. SAYLOR. Of course, you have shown these releases together with your sales force out there to tell them what a great project this is and how they are going to get a lot more cheap power. Is that not what you have shown them?

Mr. BENNETT. I would question very much if we put it in that light. I think we have simply tried to explain to them exactly what the facts are, and what would flow out of the project.

Mr. SAYLOR. Can you show us anywhere that you have told the people that if this Burns Creek project is built, as proposed by the Bureau, that the potential $32 million which the Bureau of Reclamation has told this committee will be available at the end of the payout period, which could be utilized for additional irrigation benefits in that area, will be wiped out?

Mr. BENNETT. I think, Mr. Saylor, Mr. Nelson, who has been at all of these meetings with the water users, can tell you in detail everything which they have covered in those meetings.

Mr. SAYLOR. I want to know from either one of you two men what day you got up and told anybody in that area that the $32 million, presently available under the plans of the Bureau for the additional irrigation benefits, will be wiped out if the Burns Creek project is authorized.

Mr. NELSON. We appeared, by invitation of the water users, at the annual meeting of Water District 36. That represents 100 canal companies. Each year, on the first Monday in March—it generally falls about March 7—at each and every year since the project report became available, we have been asked to explain the status of the project, and we do, sir, provide to the water users a copy of the then current payout schedule. I would have to say in all honesty, that we do not single out this figure or that figure. We have not said specifically that there was a $35 million surplus one year and there is not some other year. I wish to point out there that when Palisades was originally authorized, the payout period then estimated at 56 years, with an indicated surplus of $400,000 at the end of the payout period for the then estimated power rate.

That has changed each and every analysis, as the cost of Palisades itself became finalized and, of course, when the Burns Creek report was integrated with Palisades, it changed again.

Mr. HALEY. Will the gentleman yield right there?

Mr. SAYLOR. Yes.

Mr. HALEY. I just want to ask this: I have heard this word "finalized," "finalized"—is that more of the gobbledygook we get from down there? I know it was supposed to mean "all through." I mean we had a bill up here not too long ago, where you were going to finalize some positions you had created. I thought finalized meant that you had finished everything but you were finalizing these positions, but finalizing by putting more people on. I am just a little confused about this bureaucracy talk you have down there of finalizing something. Is it final or in the case of the positions you were creating you were establishing them, and finalizing them by putting them all on. I just wondered.

Mr. SAYLOR. I think I can even answer that. They answered it themselves, well, in that project up in Colorado which they started and then it increased about 10 or 12 times above its original estimated cost and after it had cost about 12 times what they originally estimated, the Bureau of Reclamation went ahead and published a nice booklet and, believe it or not, they told the people that after costing 12 times what they originally estimated, it worked. It came with such a shock, they had to notify the world that it worked. That is how final they are down there.

Mr. HALEY. That explains finalizing to the gentleman from Florida. I just wanted to kind of get my thinking straightened out a little bit. At one time, you were supposed to be finishing with something when you use the word "finalizing," and the next time you are putting 200-and-some-odd people in new positions, and you finalize that. So, I am still just about as confused as I was.

Mr. SAYLOR. I would like to ask you whether or not the Bureau of Reclamation, in looking at this project, feels that the future development of power by the Bureau in the area and the use of the Palisades revenue to pay for that power is in your opinion more important than the use of that money for the development of irrigation benefits in an area which has no power shortage.

Mr. BENNETT. I think with the Burns Creek added to the Palisades system, you have the net effect, at the end of the payout period of having more revenues available on an annual basis, which could

be used for irrigation assistance than you have without it. It becomes a question of a matter of timing. Now we have already taken into account, under the authorizing act for Palisades and the authorizing acts for Michaud Flats project and the Fort Hall Indian part of the Michaud unit, those elements of irrigation assistance that are charged against Palisades. Those are a part of the payout study. And they are in and will be paid for as the necessity arises.

Mr. SAYLOR. And, of course, Mr. Bennett, they are the non-interest-bearing features, and you have postponed their payment until the end. Is that not correct.

Mr. BENNETT. That is correct; the authorizing act for Palisades and Michaud Flats points that out. The law says, after the payout of the Palisades project, the net revenues shall then be used to retire the irrigation assistance beyond the ability of the water users to pay.

Mr. SAYLOR. What you are doing by coming in with this project is postponing way into the future the date when those features which do not pay interest will be paid.

Mr. BENNETT. If you make a direct comparison of what Palisades could do by itself and what it could do with Burns Creek added then the effect——

Mr. SAYLOR. No.

Mr. BENNETT. I am coming to the end.

Mr. SAYLOR. Just a minute. Use the words "What Palisades can do" because Palisades is in being. Now what Palisades can do and then what you could do with it if you harness on this monstrosity that you are coming up here and asking us to authorize. Now with that differential would you answer the question?

Mr. BENNETT. I see the point. The point I am trying to make is the very same thing which I indicated a while ago that the effect of adding Burns Creek is to reduce the amount of surplus that is available out at a particular point of time. But at the same time, you are returning those costs which are already assigned by law to be paid out of the Palisades revenue.

Mr. SAYLOR. Now, let us look at Palisades as presently in operation. In the December and January winter season, which is your lowest waterflow in that area, under the most adverse conditions, what does the Bureau figure the average output of kilowatts for Palisades?

Mr. BENNETT. I would like to answer that on two different bases, and I will tell you why. Under the conditions which prevailed prior to September 1959, we based our output, our salable power of Palisades on the basis of the adverse period of runoff, which is that occurring in the period 1934–35. Under those kinds of extreme flow conditions, which limit the amount of firm power that we can sell or could have sold under those conditions, we compute the sales total at a little over a billion kilowatt-hours. Now, I think it might be more meaningful if we could express that in terms of kilowatts. The reason I say that is because in September of 1959, we entered into what is known as an integration contract with the Idaho Power Co. Now the effect of that integration contract is that the Idaho Power Co. agrees to supply us with the amount of power that is the difference between what we could get under a 1936–37 dry period, rather than what we could get under 1934–35 period.

In a nutshell, that permits us to sell an additional 30,000 kilowatts of firm power by virtue of that integration contract. So, you have a difference as between today and between prior to September of 1939 is the point I am trying to make.

Mr. SAYLOR. Will you answer my question now, and tell me how many average kilowatts you would have been able to produce from Palisades alone?

Mr. BENNETT. In the critical months of the critical year, we could produce 26,700 kilowatts.

Mr. SAYLOR. That is your peak generation?

Mr. BENNETT. No; that is the minimum month, November, of the critical year. The peak month in that same kind of a year is 131,100.

Mr. SAYLOR. Now, if you built a reregulating reservoir at the Burns Creek site, what will the peak capacity be of Palisades during that same period of January and February in the most adverse conditions?

Mr. BENNETT. Assuming a reregulating reservoir adequate to permit unrestricted Palisades releases then in November the peak capability would be 57,500 kilowatts. In the maximum month, it would be the same; 131,100.

Mr. WESTLAND. Will the gentleman yield?

Mr. SAYLOR. Yes.

Mr. WESTLAND. You had added 30,000 kilowatts to your minimum figure?

Mr. BENNETT. Yes; we have.

Mr. WESTLAND. That figure you gave was the kilowatts that were going to be provided by Idaho Power. Are you sure of that figure you have just given the gentleman from Pennsylvania?

Mr. BENNETT. The figures we have just given you excluded the integration contract.

Mr. WESTLAND. But they are the same?

Mr. BENNETT. In the peak months.

Mr. WESTLAND. No; we are talking about the minimum months.

I think you added 30,000 kilowatts to the figure you had given as your minimum in your critical year.

Mr. BENNETT. Under the integration contract?

Mr. WESTLAND. Yes.

Mr. BENNETT. That is correct.

Mr. WESTLAND. You have also added 30,000 to your minimum figure under the question that Mr. Saylor has asked in how would Burns Creek reregulating reservoir assist the Palisades. Is that just coincidence; the figures happen to be the same?

Mr. BENNETT. Yes. That is coincidence. The one is the difference between 26.7 an 57.5, which is 30,800. The other is a 30,000 figure. The 30,000 integration is a system gain because involved in there are the present plants at Minnidoka and the Boise project. It is just by coincidence one is 30,000 and the other is 30,200.

Mr. WESTLAND. All right. Thank you.

Mr. SAYLOR. If that is the case, what is the value of this peaking power for kilowatts? In other words, you have increased it now by 30,000 kilowatts. Is it worth about $15 a kilowatt?

Mr. BENNETT. I am trying to get back in my mind what that rate structure is there. In terms of value, I do not really know how to express it. What we get out of the 30,000 is the ability to sell as firm

power and energy that additional 30,000 coupled with its associated energy at load factor at the existing rates, which is a combination of a capacity charge and an energy charge.

Mr. SAYLOR. I think if you will figure it out on the basis of $15, you will find that you have there a potential increase from Palisades alone with a reregulating reservoir of $450,000 a year. If that is the case——

Mr. BENNETT. You mean if we sold the 30,000 kilowatts as straight peaking capacity?

Mr. SAYLOR. Straight power. You have got that plus the integration which is the statement you just made.

Mr. WESTLAND. Will the gentleman yield?

Mr. SAYLOR. Yes.

Mr. WESTLAND. As I understand it, it would only be for a short period. In other words, it is just for a couple of months when you are at your minimum flow.

The gentleman from Pennsylvania, I think, is projecting that for a full year period.

Mr. SAYLOR. That is right; using the minimum figure.

Mr. WESTLAND. Well, it does not work that way. In other words, as the flow increases, then that 30,000 kilowatts that you might use at the time of your minimum perhaps would not be needed. Is that correct or not?

Mr. BENNETT. The effect of having the 30,000 kilowatts is really to permit you to firm up your winter power. I think that is what you are saying.

Mr. WESTLAND. Yes.

Mr. BENNETT. That is right.

Mr. SAYLOR. I want to know what that is worth.

Mr. BENNETT. The one measure of its worth is that it increases the net revenue at Palisades about $100,000 a year.

Now, the $100,000 figure or slightly less than that, I do not recall the exact number, is a pro rata share coming from the 30,000. In other words, we have had to assign some of it to Minidoka, some to Boise, and some to Palisades, but it is in the system. But the assignment to Palisades is approximately $100,000 a year increase in net revenue. That is one measure of its worth.

Mr. SAYLOR. Madam Chairman, I would like to have the witness figure that out and have it ready for us by tomorrow's meeting.

Mrs. PFOST. Can you do that, Mr. Bennett?

Mr. BENNETT. I did not hear it.

Mrs. PFOST. Repeat it, please.

Mr. SAYLOR. I would like to have you figure out what you are going to do with the $100,000 and what you do with the rest of the money from this power, using the hypotheses that I am giving you.

Mr. BENNETT. We can certainly show you how the hundred thousand comes into being, how the gross revenues are increased and how the net is increased.

Mrs. PFOST. You will have the material ready by tomorrow?

Mr. BENNETT. Yes, madam.

Mr. SAYLOR. This could be accomplished by a reregulating reservoir downstream at Burns Creek or some other site.

Mr. BENNETT. No, sir; no. This could not be accomplished by that. What the integration contract does is to permit us to use a less-adverse period of waterflow.

Now, you can assume that the Burns Creek would also be added to the integration contract or you can assume it would not.

We have not discussed with Idaho Power whether they would want to extend the present contract to include Burns Creek if it were constructed. They are two different things.

At the present time, the integration contract applies only to the southern Idaho system, which includes Palisades, and in that system, it permits us to compute the power on the basis of a somewhat better streamflow. I can say it another way: it permits us to include the same adverse period in the Snake River Basin that is now being used in the Columbia River Basin.

This comes about, I understand, because of the fact with Idaho Power tied in now to the Bonneville system, it permits us to use the Columbia Basin adverse period rather than the Snake River adverse period. But it is completely apart and separate from what Burns Creek could do. With Burns Creek you could add still to what you now have under the integration contract.

Mr. SAYLOR. The last question that I asked you had to do with the operation of Palisades alone with a reregulating reservoir.

Mr. WESTLAND. Will the gentleman yield?

Mr. SAYLOR. Yes.

Mr. WESTLAND. That is my understanding, too, Mr. Bennett.

There have been several questions asked you about what benefits would accrue from Palisades as the result of the construction of a reregulating reservoir. You have said there were benefits, that Palisades could be operated more efficiently.

In response to Mr. Saylor's one question, you came up with approximately 30,000 kilowatts. Maybe you did not mean it that way, but what Mr. Saylor is trying to get at is what benefits accrue to Palisades by the construction of a reregulating reservoir and how much does it amount to.

Is that not correct?

Mr. SAYLOR. That is correct.

Mr. BENNETT. I think again if I understand the question, the answer to that is what we gave a little bit ago, that, by having Burns Creek added to Palisades, you improve the Palisades operation by that figure of roughly 30,200 kilowatts in the winter months.

Mr. SAYLOR. Which you say amounts to about $100,000.

Mr. BENNETT. No.

Mr. SAYLOR. No?

Mr. BENNETT. The $100,000 is associated with the 30,000 kilowatts added by the integration contract which has nothing to do with Burns Creek.

Mr. SAYLOR. If you get 30,000 kilowatts by integration—and we have heard a lot about that in the last several weeks——

Mr. HALEY. Amen.

Mr. SAYLOR. And you get 30,000 by building a reservoir, why would not one work the same as the other?

Mr. BENNETT. In terms of the rate schedule which we set up, they are the same; they both come in under the same rate structure.

Mr. SAYLOR. That is all, Madam Chairman.

Mrs. PFOST. The gentleman from Texas.

Mr. RUTHERFORD. I have no questions.

Mrs. PFOST. The gentleman from Washington.

Mr. WESTLAND. I think the gentleman from Pennsylvania has pretty well covered this. Was not this project originally proposed as merely a reregulating reservoir?

Mr. BENNETT. No, sir; it was not. This is a matter we were discussing a little earlier. In our original Palisades report, we did not mention a reregulating reservoir. The Federal Power Commission did point out in its comments, the probable advantages of a reregulating reservoir.

Now, subsequently, when the water users had oversubscribed Palisades and the need for additional irrigation storage became obvious and when it became fully obvious you could not get the best operation out of the Palisades, we did look at and study a single-purpose reregulating reservoir which had the sole function of permitting us to vary the releases at Palisades and reregulating them downstream so we could have a fairly constant release to the water users. But that was not a proposal made by the Bureau.

Mr. WESTLAND. I did not mean it quite that way. As I understand, the legislation was introduced to merely provide for a reregulating reservoir and then the Bureau came up with the proposition that there should be power along with it.

Mr. BENNETT. I am not aware of any legislation that was introduced for a straight reregulating reservoir.

Mr. WESTLAND. Well, I will call the attention of the committee to a statement by Mr. Budge, which perhaps I am misreading, but he says,

At that time I introduced a bill to authorize the construction of a Burns Creek reregulating reservoir and to authorize the construction of a storage project referred to by the Bureau as the Narrows project.

Perhaps——

Mr. BENNETT. The Narrows project is a reservoir and damsite in Wyoming above Palisades; and I think it is correct, Mr. Budge did introduce a bill on that project but it has never come to hearings.

Mr. WESTLAND. It was called the Burns Creek Reregulating Reservoir but it was not in the same location, is that what you are saying?

Mr. BENNETT. It was a completely different dam and completely different location. The Narrows is upstream from Palisades; Burns Creek is downstream.

Mr. WESTLAND. Perhaps he misstated it at that time. In other words, then, this Burns Creek project has always been a power project; is that right?

Mr. BENNETT. There has been no change in the conception of the Burns Creek since our original report.

Mr. WESTLAND. That is all.

Mrs. PFOST. The gentleman from North Dakota.

Mr. BURDICK. Mr. Bennett, could you tell me what the starting point is on the repayment for the power portion of this project, completion of construction, or when?

Mr. BENNETT. At the time the units become revenue-producing.

Mr. BURDICK. Is that the starting point?

Mr. BENNETT. Of the 50-year repayment period, yes.

Mr. BURDICK. What is the starting point of the repayment of the irrigation aspect?

Mr. BENNETT. Under the, let us call it, a basic study, we started—this includes Burns Creek. I assume that is to what your question goes.

We started the aid to irrigation in the 55th year of the Palisades study which is the 47th year of the Burns Creek study. In other words, we assume the irrigation investment starts that year at zero of Palisades. At the time it was constructed, in other words. That is how you get these particular figures.

Mr. BURDICK. Do I understand now that the payout on the irrigation aspects is to start at the same time the power construction is completed?

Mr. BENNETT. No; I think all I am saying is that under our basic payout schedule, we carry from year 1 through whatever it takes to show the payout and in this particular case that comes out with all of these costs paid in year 62 of the Palisades, measuring from the completion of construction of Palisades.

Now, that is unrelated to a measurement of a period of years following which the actual irrigation water may be used.

On Palisades, there has been no Palisades water as such until this year. This is the first year. The water in Palisades prior to this year has been that which otherwise would have been stored upstream in Jackson Lake. We have moved it down to Palisades in order to get operating ahead. Actually, 1960 is the first year that the water users will have Palisades water and the year 1961 is the year in which they start paying under their repayment contracts.

Mr. BURDICK. Do you have any evidence or can you give me any projection of when all the irrigation aspects will be constructed, all of the laterals and canals?

Mr. BENNETT. Not completely. The one which we do not know exactly when it will be completed is the Fort Hall Indian Reservation part of the Michaud unit. It is under construction now. I do not know what the Indian Service's program is for completion but I would assume it would run over a 4- or 5-year period from now.

Mr. BURDICK. This is the next question: Assuming that the payout period for power started upon the completion of the power aspects and the irrigation payout period starts upon completion of the irrigation project, would this then pay out under reclamation law in the period?

Mr. BENNETT. Let me try and answer that in several ways because I am going to have to make some assumptions.

You did not put them in the question for me.

If we assume that each separable feature of the power is paid out in a 50-year period and the irrigation costs are to be paid out in 50 years, starting in 1960—let me put it that way because I happen to have those numbers—and assuming an interest rate on the power allocation, the present power rate would not make that kind of a repayment.

Mr. BURDICK. Mr. Bennett, you are assuming that the repayments are to start in 1960 on irrigation.

Mr. BENNETT. Yes.

Mr. BURDICK. Although there may be a number of years elapse before the irrigation aspects are completed.

My question is, Suppose the repayment starts upon the completion of the irrigation aspects; would it then pay out under present rates?

Mr. BENNETT. I would be inclined to say it would not pay out within a 50-year period from the time you completed the irrigation work.

Let us take the Michaud Flats project, for instance, on which the irrigation works are now completed. That would have started the 50-yearp eriod a couple of years ago, I think, when we finished that. However, that would not be concurrent with the time at which the irrigators themselves paid out. They have a 10-year development period plus a 50-year period. But I think I would have to conclude, although I do not have an analysis of it, but based on what we have, I think it would be fair to say that starting the irrigation payment running, that is the 50-year period running at the time the works were completed the present power rate would not pay out that irrigation assistance in that kind of a 50-year period.

Mrs. PFOST. Will the gentleman yield?

Mr. BURDICK. Yes.

Mrs. PFOST. Would it be possible, Mr. Bennett, for you to have this figure for us by tomorrow—or is that asking the impossible?

Mr. BENNETT. We will try. We will have to run a payout study on it and I think we can do it this afternoon. We will try it.

Mrs. PFOST. We would appreciate very much having the information.

Mr. BENNETT. You would want the 50-year period of Palisades, for instance, to start when Palisades construction was finished, the same thing on Michaud Flats and the Fort Hall Indian Reservation?

Mrs. PFOST. Yes.

Mr. BENNETT. We will try to get that down by morning.

Mrs. PFOST. It would be very helpful to the committee if you can do that.

Mr. BURDICK. Would you also, if it is not too much work, determine if there is a rate increase necessary to make this payout in the period provided by law and indicate what increase that would be?

Mr. BENNETT. Yes, sir. I assume you would want that at 3 percent or somewhat.

Mr. BURDICK. I want to thank you for your patience and your straightforward answers.

Mr. BENNETT. Thank you, sir.

Mrs. PFOST. The gentleman from Minnesota.

Mr. LANGEN. Just one question. May I go back to where Mr. Westland was a few minutes ago and make reference to what I know was submitted to the committee on several occasions that the first attempt at Burns Creek was with regard to the reregulating dam. I noticed you stated in response to that question that somewhere along it became evident there were further needs for power and irrigation water. When did it become apparent there were additional needs?

Mr. BENNETT. I cannot give you an exact date. Let me try to answer you in this way: that it became quite obvious as soon as Palisades went into operation that you could not operate Palisades to the best advantage of power production; that there was an opportunity,

if you please, with some kind of a structure down below to get a better operation out of Palisades.

I think it has been known probably for quite some time that, along about 1962–63, in there somewhere, the ability of the existing Federal plant in that area would not be sufficient to furnish the growing loads of the customers then served. So, in that sense, when talking about a need for power, that has been known; those forecasts have been made some time back.

Mr. LANGEN. Of course, the matter of the need for power has not been definitely established in my mind and it is exactly the point I want to bring out, because you say that when the Palisades was completed and went into use it then became apparent. Was not that consideration given in the construction of Palisades? Was not the approval of the construction of Palisades made on the basis it was going to meet needs?

Mr. BENNETT. Yes; that is correct; the needs as they were seen at that time.

Mr. LANGEN. And then before—it is only a matter of about 2 years since it went into operation, is it not?

Mr. BENNETT. That is correct; about 2 years. It was authorized, however, several years back.

Mr. LANGEN. And almost before it goes into operation we are faced with the problem of additional needs. Was there such miscalculation in that determination or how come? I fail to understand.

Mr. BENNETT. The basic testimony on the authorization of Palisades was back in 1950 and it was designed and it was known at that time that it could meet the powerloads of those customers for a period of time. Now, actually, the load growth of those customers, which are now served by the Palisades power, has been increased. The Palisades power which they have under contract now is adequate to meet their anticipated load until about 1961–62, in there some place.

So, what I am trying to say is as the picture was visualized a year or two ago, Palisades was adequate to take care of their loads at that time and up until a short time in the future.

Mr. LANGEN. It seems that we have had testimony here that there were no great power needs at the moment or even anticipated in the future with constructions that are being planned in addition to this project, I think, by private power companies. Is that right or wrong?

Mr. BENNETT. I think that is correct. I think the thing that is bothering us here is the expression of the need for the power. I do not think there is any doubt in anybody's mind that all of the customers within this area as well as other areas, their loads are growing and they are growing rapidly. They will need power, additional power over and above what they have starting in about 1962–63.

Mr. LANGEN. One further matter that is not clear in my mind is relative to the rates and maybe the additional information you are going to furnish will bring that out. It is not clear in my mind just what is going to happen to the rate structure here. You have a rate structure now, is that not correct, for Palisades?

Mr. BENNETT. We have rate structure now for Palisades; yes, sir.

Mr. LANGEN. To what degree is that going to be changed under the proposal you have?

Mr. BENNETT. The information and the testimony that has been given so far has been based upon there being no change in that rate structure. Now, whether or not there would be a change in that rate structure would depend entirely upon what are the costs of Burns Creek when they are known following construction and under what kind of an act is the project authorized.

Mr. LANGEN. There seems to be a doubt in your mind as to what the rate will be. Is there such a big variation in the anticipated costs it may affect the rate?

Mr. BENNETT. I think the basic question involved is not the cost but it is the terms of the authorizing legislation as to period of years required for payout, both of the power and irrigation assistance and the interest rate.

Mr. LANGEN. It would certainly seem that they are pretty important factors and that they ought to be predetermined to the degree of where we knew whether rates were going to go up or down or whether there would be any changes.

To me, it would seem to be a pretty vital item to know.

Mr. BENNETT. We can tell you under several different assumptions of interest rates with a specific period of years for payout exactly what changes would be required in the power rates.

Mr. LANGEN. Will those figures be in those you are going to furnish?

Mr. BENNETT. They were not asked for but we can furnish them.

Mr. LANGEN. I would think they should be. I would ask that they would be, Mr. Chairman.

Mr. ROGERS (presiding). Without objection.

Mr. HALEY. Would the gentleman yield?

Mr. Bennett, would those figures be at the going rate at which the Treasury Department has to borrow money now?

Mr. BENNETT. We already have them based upon interest rates of 2 7/10 percent, 2 7/8 percent, 3 percent, 4 1/8 percent, and 4 1/4 percent.

We will give you a table and break them all out.

Mr. HALEY. Are we borrowing any money, Mr. Bennett, at less than 5 percent at the moment?

Mr. BENNETT. If I understand the situation correctly——

Mr. HALEY. I ask that in all seriousness, Mr. Bennett.

Mr. BENNETT. I realize that.

Mr. HALEY. We have here before us a request from the administration to give them more leeway here and they cannot borrow money and they want the leeway up to 5 1/4 percent. After all, if that is what they anticipate, and I might say maybe contrary to some of the views of the leadership, if that is what is necessary to put the Treasury in a position where they can manage the national debt, I would be willing to go along with them. I certainly think we ought to be realistic in this thing.

If this money is going to be borrowed at 5 or 5 1/4 percent, I think we ought to have those figures, too.

Mr. BENNETT. I would hesitate myself to get into this field because I am not by any means an expert in it, but one understanding which I have is that the borrowing which goes on today is that which is needed to have cash in hand in effect to pay current bills. It is

not a long-time borrowing situation, it is a financing short-term type of thing.

Mr. HALEY. Will the gentleman yield further?

Mr. LANGEN. Yes.

Mr. BENNETT. The only point I am making is, the fact that the Treasury may have to pay 5 percent or 6 percent or a high rate for that kind of financing does not necessarily mean that all of the money which is invested in a project of this kind is borrowed money at that rate of interest. That is the only point I am making.

Mr. HALEY. Of course, what is disturbing to me, Mr. Bennett, what you are actually doing—and I want to make this observation, if the gentleman will yield—I want to make this observation: In the great Western States you have a preferred status in many respects. The other taxpayers of the Nation are trying to help you in your desire to irrigate your lands, impound this water. Now you come here with a good project, namely, Palisades, and what you are asking the people to do at the end of a certain period here when that project would have paid into the Treasury or into funds that might be used for further development of irrigation and reclamation in the West, with an anticipated surplus, so to speak, of $30 million, what you are doing, and I think some of us are beginning to get a little alarmed about this situation, is that you come along and tie on to a project that is sound something that by your own admission is not sound and would not even pay the interest rate.

So, what you are doing, Mr. Bennett or what your Department is doing, is depriving the people of these great Western States of $30 million for a long period of time that they would have available to go into worthy projects.

I think the people of the Western States ought to take into consideration that we do not in some parts of the country receive any benefit from this program that you set up there in the 17 Western States.

If you are going to come in here and not use the money that you have already paid in on these projects and make us go out and borrow additional money, I think somewhere along the line—and I am throwing this out as a warning to my friends from the Western States—somewhere along the line I think the other sections of the Nation are going to begin to question the wisdom of that kind of a proposition.

It just does not seem to me like it is sound in depriving people of something at least at the time of construction and at this present moment they would have. You are taking that away from them and putting it into what is purely and simply a power project.

I thank the gentleman.

Mr. LANGEN. The gentleman from Florida has developed the point very well.

I have no further questions.

Mr. ROGERS. The gentlewoman from Idaho.

Mrs. PFOST. Thank you, Mr. Chairman.

I have just two or three short questions.

Mr. Bennett, is it not true that the Bureau estimated the Palisades project to cost $76 million and that it was actually constructed for $63 million?

Mr. BENNETT. I believe those are about the figures; yes, madam.

Mrs. PFOST. Can you give us the reason why this differentiation between your estimated costs and the actual costs?

Mr. BENNETT. I think one reason was the fact that the original costs were based upon the construction of transmission lines to deliver this power down to the points of delivery, particularly down in the Minidoka area. However, we were able to work out satisfactory wheeling arrangements so that the only transmission we built was to Goshen.

Mrs. PFOST. How much did you save by eliminating the transmission lines in the area?

Mr. BENNETT. I think Mr. Nelson has those figures all broken out.

Mrs. PFOST. Fine. While Mr. Nelson is looking for those figures, I just want to call attention to the fact that not every project has increased in cost and that Palisades was constructed for less than the estimated cost.

Mr. SAYLOR. I think they had better go a little carefully because they testified on this before and their figures added up to the fact that, after they took out everything, it cost more than the original estimate, too.

Mr. NELSON. The price for the substation transmission lines not built, the estimated cost was $3.8 million.

Mrs. PFOST. Then, Mr. Nelson, was there definitely a saving?

Mr. NELSON. Yes. We had a very favorable bid on the dam. Some of the contingency percentages that are always carried on an estimate of that kind did not occur, so that the final costs were related to final bid prices received and other costs of materials, and so on, which came out to be somewhere between $62 and $63 million.

Mrs. PFOST. Thank you very much.

Now, during the recent hearings this year on the Burns Creek project, some stress was given by representatives of the Utah Power & Light Co. on the silting of the Burns Creek Reservoir.

Is that a serious problem with Palisades upstream? In other words, will Burns Creek silt quickly and thus turn out to be ineffectual for storage purposes?

Mr. NELSON. It just so happens that the upper Snake River watershed is primarily in national forest areas. There is practically no silting problem. Burns Creek will have a river level sluiceway which will prevent the accumulation of any silt.

We have, however, measured the silt accumulations from reservoirs on Snake River that have been in service for as much as 30 years, and the most that we have occurs in our Arrow Rock Reservoir where, in something like 30 years, we calculate that we might have lost about 4 percent of capacity due to silt.

This happens to be in an area below some old gold dredging, where the covering has been denuded.

We have made estimates on Palisades and those estimates indicate that—and they are based on an analysis of the watershed and some erosion rates that have been developed by the Soil Conservation Service, and we have estimated that it would be about 400 years before we could lose capacity equivalent to our dead-water pool without any encroachment on the live-water storage.

That is our reason for saying that we do not feel that silt will ever be a problem on our Snake River reservoirs.

Mrs. PFOST. Thank you very much, Mr. Nelson.

That is all, Mr. Chairman.

Mr. ROGERS. Are there any other questions?

Mr. SAYLOR. Mr. Chairman, I would just like to call attention to the fact, on page 382 and 383 of the hearings, there is letter from Mr. H. T. Nelson, addressed to the Honorable Gracie Pfost. It gives by years the evolution of the Burns Creek power project in its relationship to the Palisades. It makes very interesting reading. I recommend that the members of the committee read it.

Mr. ROGERS. The members of the subcommittee will have to make up their own minds as to whether they take the gentleman's recommendation or not.

Are there any other questions or observations?

Mr. SAYLOR. Not at this time.

Mr. ROGERS. The subcommittee will stand adjourned until 2 o'clock this afternoon at which time we will continue hearings on the Norman, Okla., project.

(Whereupon, at 11:45 a.m., the committee adjourned, to reconvene at 2 p.m., the same day.)

BURNS CREEK PROJECT, IDAHO

FRIDAY, MARCH 25, 1960

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON IRRIGATION AND RECLAMATION
OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to other business, in the committee room, New House Office Building, Hon. Wayne N. Aspinall presiding.

Mr. ASPINALL. The next order of business is further consideration of H.R. 1235 by Mr. Budge and S. 281, a bill to authorize the Secretary of the Interior to construct, operate, and maintain a reregulating reservoir and other works at the Burns Creek site in the upper Snake River Valley, Idaho, and for other purposes.

At the last meeting of the committee, on this particular matter, the Department was asked to furnish additional information. So if Mr. N. B. Bennett, Jr., Assistant Commissioner of Reclamation, Department of the Interior; H. T. Nelson, Regional Director, Bureau of Reclamation, Boise, Idaho, will come forward. Do you wish to have anybody else with you, Mr. Bennett?

Mr. BENNETT. I think in terms of completing the information you asked for, we do not; but if you want to go into other aspects such as fish and wildlife and things of that kind.

Mr. ASPINALL. If we need anything else, we will call them up when we need them.

FURTHER STATEMENTS OF N. B. BENNETT, JR., ASSISTANT COMMISSIONER OF RECLAMATION; AND H. T. NELSON, REGIONAL DIRECTOR, BUREAU OF RECLAMATION, BOISE, IDAHO, DEPARTMENT OF THE INTERIOR

Mr. BENNETT. During the session yesterday, Mr. Chairman, we were asked to furnish answers to several different questions, one of which was a question asking for a showing of possible adjustments of rates might be required due to assuming of different interest rates. We have prepared a series of six tables, based upon different types of assumptions. In order to prepare tables of this kind, we have to hold at least one element constant. In this instance, there has been held constant the requirement for repayment of the irrigation assistance in a 50-year period starting in 1960. Now 1960 is the year in which Palisades water is first available for use by those with contracts for Palisades water.

The six tables then are based upon assumptions of concurrent installations of the generators at Burns Creek, and upon deferred in-

stallation of the generators at Burns Creek, as would be required under S. 821.

In addition, we have made the computations assuming Palisades not under the integration contract, assuming Palisades under the integration contract, and assuming both Burns Creek and Palisades under the integration contract. I have a few copies of these tables for the committee members. There was not time overnight to mimeograph them, or make a great number of copies.

(Tables referred to follow:)

Attached are six tables showing power rates for the combined Palisades-Burns Creek development based on a certain fixed 50-year repayment period, within which the irrigation assistance would be repaid, and on various interest rates. Also all these tables are based on the assumption that the irrigation repayment period will start in fiscal year 1960 which was the year of initial use of irrigation storage space in Palisades Reservoir. All interest-bearing cost would also be repaid by the end of this 50-year period.

All the table 1's assume that the three Burns Creek generators will be placed on the line in June 1965. All the table 2's are based on the assumption of the delayed installation of Burns Creek generators in accordance with the bill, S. 281. In this latter case the first unit would be placed on the line in June 1965 and the second and third units in June 1969.

The information in table 1 and table 2 is based on the assumption that neither Palisades nor Burns Creek will be integrated to take advantage of the terms of the August 1959 coordination contract with the Idaho Power Co.

The information in table 1a and table 2a is based on the assumption that both Palisades and Burns Creek will be integrated to take advantage of terms similar to those of the August 1959 coordination contract with the Idaho Power Co. To include Burns Creek would require additional negotiations with the power company.

The information in table 1b and table 2b is based on the assumption that Palisades only will be integrated under the terms of the August 1959 contract. In this case Burns Creek generation is figured on the basis of the 1934-35 critical water year in lieu of the less adverse water year 1936-37 that would be permitted if the terms of the contract were to apply.

TABLE 1

1. Mar. 20, 1959, study.
2. Neither Palisades nor Burns Creek integrated in accordance with terms of August 1959 contract with Idaho Power Co.
3. All Burns Creek generators on line in June 1965.
4. Start of 50-year irrigation repayment period assumed in 1960.

Class of energy	Present rates (mills per kw.-hr.)	Interest rates [1] (percent)				
		2.7	2⅛	3	4⅛	4¼
		Adjustment required (percent)				
		1.8	4.6	6.1	22.4	24.2
		Adjusted rates (mills per kw.-hr.)				
Firm	4.80	4.89	5.02	5.09	5.88	5.96
Non-Federal pumping	4.50	4.58	4.71	4.77	5.51	5.59
Project use	3.00	3.05	3.14	3.18	3.67	3.72
Seasonal nonfirm	3.00	3.05	3.14	3.18	3.67	3.72
Dump	2.00	2.03	2.09	2.12	2.45	2.48

[1] Rates of interest assumed:
2.7 percent, Water Supply Act of 1958;
2⅛ percent, Colorado River storage project—Glen Canyon and Flaming Gorge units;
3 percent, Reclamation Act of 1939;
4⅛ percent, Colorado River storage project—Curecanti unit (estimated);
4¼ percent, Colorado River storage project—Curecanti unit (estimated).

TABLE 2

1. Based on June 9, 1959, study.
2. Neither Palisades nor Burns Creek integrated in accordance with terms of August 1959 contract with Idaho Power Co.
3. First Burns Creek generating unit on line in June 1965, second and third Burns Creek generating units on line in June 1969.
4. Start of 50-year irrigation repayment period assumed in 1960.

Class of energy	Present rates (mills per kw.-hr.)	Interest rates [1] (percent)				
		2.7	2⅞	3	4⅛	4¼
		Adjustment required (percent)				
		----------	0.9	2.4	15.4	16.8
		Adjusted rates (mills per kw.-hr.)				
Firm	4.80	4.80	4.84	4.92	5.54	5.61
Non-Federal pumping	4.50	4.50	4.54	4.61	5.19	5.26
Project use	3.00	3.00	3.03	3.07	3.46	3.50
Seasonal nonfirm	3.00	3.00	3.03	3.07	3.46	3.50
Dump	2.00	2.00	2.02	2.05	2.31	2.34

[1] Rates of interest assumed:
2.7 percent, Water Supply Act of 1958;
2⅞ percent, Colorado River storage project—Glen Canyon and Flaming Gorge units;
3 percent, Reclamation Act of 1939;
4⅛ percent, Colorado River storage project—Curecanti unit (estimated);
4¼ percent, Colorado River storage project—Curecanti unit (estimated).

TABLE 1a

1. Based on Mar. 17, 1960, study.
2. Both Palisades and Burns Creek integrated in accordance with terms similar to August 1959 contract with Idaho Power Co.
3. All Burns Creek generators on line in June 1965.
4. Start of 50-year irrigation repayment period assumed in 1960.

Class of energy	Present rates (mills per kw.-hr.)	Interest rates [1] (percent)				
		2.7	2⅞	3	4⅛	4¼
		Adjustment required (percent)				
		----------	0.2	1.1	10.7	11.8
		Adjusted rates (mills per kw.-hr.)				
Firm	4.80	4.80	4.81	4.85	5.31	5.37
Non-Federal pumping	4.50	4.50	4.51	4.55	4.98	5.03
Project use	3.00	3.00	3.01	3.03	3.32	3.35
Seasonal nonfirm	3.00	3.00	3.01	3.03	3.32	3.35
Dump	2.00	2.00	2.00	2.02	2.21	2.24

[1] Rates of interest assumed:
2.7 percent, Water Supply Act of 1958;
2⅞ percent, Colorado River storage project—Glen Canyon and Flaming Gorge units;
3 percent, Reclamation Act of 1939;
4⅛ percent, Colorado River storage project—Curecanti unit (estimated);
4¼ percent, Colorado River storage project—Curecanti unit (estimated).

TABLE 1b

1. Based on Mar. 18, 1960, study.
2. Palisades only integrated in accordance with terms of August 1959 contract with Idaho Power Co.
3. All Burns Creek generators on line in June 1965.
4. Start of 50-year irrigation repayment period assumed in 1960.

Class of energy	Present rates (mills per kw.-hr.)	Interest rates [1] (percent)				
		2.7	2⅞	3	4⅛	4¼
		Adjustment required (percent)				
		0.8	2.6	3.5	13.5	14.7
		Adjusted rates (mills per kw.-hr.)				
Firm	4.80	4.84	4.92	4.97	5.45	5.51
Non-Federal pumping	4.50	4.54	4.62	4.66	5.11	5.16
Project use	3.00	3.02	3.08	3.11	3.41	3.44
Seasonal nonfirm	3.00	3.02	3.08	3.11	3.41	3.44
Dump	2.00	2.02	2.05	2.07	2.27	2.29

[1] Rates of interest assumed:
2.7 percent, Water Supply Act of 1958;
2⅞ percent, Colorado River storage project—Glen Canyon and Flaming Gorge units;
3 percent, Reclamation Act of 1939;
4⅛ percent, Colorado River storage project—Curecanti unit (estimated);
4¼ percent, Colorado River storage project—Curecanti unit (estimated).

TABLE 2a

1. Based on Mar. 17, 1960, study.
2. Both Palisades and Burns Creek integrated in accordance with terms similar to August 1959 contract with Idaho Power Co.
3. First Burns Creek generating unit on line in June 1965, second and third Burns Creek generating units on line in June 1969.
4. Start of 50-year irrigation repayment period assumed in 1960.

Class of energy	Present rates (mills per kw.-hr.)	Interest rates [1] (percent)				
		2.7	2⅞	3	4⅛	4¼
		Adjustment required (percent)				
		1.8	4.6	6.1	22.4	24.2
		Adjusted rates (mills per kw.-hr.)				
Firm	4.80	4.80	4.80	4.80	5.12	5.16
Non-Federal pumping	4.50	4.50	4.50	4.50	4.80	4.83
Project use	3.00	3.00	3.00	3.00	3.20	3.22
Seasonal nonfirm	3.00	3.00	3.00	3.00	3.20	3.22
Dump	2.00	2.00	2.00	2.00	2.13	2.15

[1] Rates of interest assumed:
2.7 percent, Water Supply Act of 1958;
2⅞ percent, Colorado River storage project—Glen Canyon and Flaming Gorge units;
3 percent, Reclamation Act of 1939;
4⅛ percent, Colorado River storage project—Curecanti unit (estimated);
4¼ percent, Colorado River storage project—Curecanti unit (estimated).

TABLE 2b

1. Based on Mar. 18, 1960, study.
2. Palisades only integrated in accordance with terms of August 1959 contract with Idaho Power Co.
3. First Burns Creek generating unit on line in June 1965, second and third Burns Creek generating units on line in June 1969.
4. Start of 50-year irrigation repayment period assumed in 1960.

Class of energy	Present rates (mills per kw.-hr.)	Interest rates [1] (percent)				
		2.7	2⅞	3	4⅛	4¼
		Adjustment required (percent)				
		----------	----------	0.5	9.0	10.1
		Adjusted rates (mills per kw.-hr.)				
Firm	4.80	4.80	4.80	4.82	5.23	5.28
Non-Federal pumping	4.50	4.50	4.50	4.52	4.91	4.95
Project use	3.00	3.00	3.00	3.02	3.27	3.30
Seasonal nonfirm	3.00	3.00	3.00	3.02	3.27	3.30
Dump	2.00	2.00	2.00	2.01	2.18	2.20

[1] Rates of interest assumed:
2.7 percent, Water Supply Act of 1958;
2⅞ percent, Colorado River storage project—Glen Canyon and Flaming Gorge units;
3 percent, Reclamation Act of 1939;
4⅛ percent, Colorado River storage project—Curecanti unit (estimated);
4¼ percent, Colorado River storage project—Curecanti unit (estimated).

Mr. BENNETT. The various interest rates selected for this study each have some background. The 2.7 rate is that which would currently be certified to us by the Water Supply Act of 1958. The 2⅞ percent is that rate under the upper Colorado River project formula which is currently applicable to Glen Canyon and Flaming Gorge. The 3 percent interest rate is that which we usually utilize for this purpose. Four and one-eighth percent is the last interest rate certified to us by the Secretary of the Treasury, under the upper Colorado River formula. Four and one-fourth percent is that which we estimate the Secretary of the Treasury is likely to certify by the end of this fiscal year, under the formula applicable to the upper Colorado River project.

I do not know how much detail you want to go into on these tables, but I think you will find them helpful.

Mr. ASPINALL. Let me ask you this question right at this place, Mr. Bennett: Which one of those interest rates that you folks will follow will pay back to Uncle Sam the amount of money which Uncle Sam has to borrow so that Uncle Sam will not lose any money, Uncle Sam will not make any money, but Uncle Sam will get back exactly what it costs. Which rate will do that?

Mr. BENNETT. Mr. Chairman, this gets you off into some aspects that are very difficult to answer. For example, at the present time, about 40 percent of the expenditures on reclamation projects come out of reclamation fund. That is the fund, as you well know, that is set up for that purpose. So there is a question right off the start whether that is or is not interest bearing. If you assume it is not, then that leaves you with 60 percent in round numbers of your cost that per-

haps is subject to interest bearing. Then, you got off into questions of how much of that 60 percent is derived from long-term borrowing, or how much is derived from short-term borrowing, by which I mean 3 to 6 months, which is the financing on an annual basis to get cash. I am inclined to the view that, considering particularly the aspects of the reclamation fund, the 3 percent figure is probably that which about keeps everything whole. That is about the best answer I can give to you because you have so many complications working together here.

Mr. ASPINALL. With that assumption, do I understand it is your position then, that the reclamation fund, as such, should not be charged with any interest? That is not put right, but money taken from the reclamation fund should not be charged with any interest.

Mr. BENNETT. The theory of charging interest on expenditures of this kind is that it is money which the Federal Government has to borrow for that purpose.

Now, they do not have to borrow, of course, the money in the reclamation fund, that accrues each year, as deposited in the Treasury and appropriated out by the Congress for the purposes for which the fund was established. Consequently, it does not seem to me that it should be interest bearing in terms of these kinds of computations.

Mr. ASPINALL. Can you sell that idea to the economists of the country?

Mr. BENNETT. You can get about as many ideas from economists of the country as there are economists——

Mr. ASPINALL. That is right.

Mr. BENNETT. Ranging all the way from one end of the totem pole to the other. Unless you have some detailed questions, perhaps, on those tables, I can take up some of the other questions which were asked.

Mr. ASPINALL. There is just one thing, Mr. Bennett, that we who are friends of reclamation are most desirous of doing, and that is in these multiple purpose projects where we are furnishing facilities, the costs of construction, which are interest bearing, we are able to make good our statement to the Members of Congress that the U.S. Government as such is not furnishing an additional subsidy. It is very disconcerting when we have information such as presented to us here with interest rates of 2.7 up to 4.25 to be able to make a statement that is correct, that 3 percent saves the United States whole, and how do you justify 2.7 and 2⅞, and why do you have to have some project bearing 4⅛ and some 4¼ in order to make up for those bearing the lesser amount of interest.

Mr. BENNETT. Mr. Chairman, I realize there has been a great deal of inconsistency in the use of various types of interest rates. I testified last August in the hearings on these same bills, that under the various acts of Congress which have been passed, and there have been a great many of them, which have set forth a formula whereby interest is to be computed, and those formulas give you in essence the rates which are on those tables. Why there should be a difference, I do not really know.

Mr. ASPINALL. Can you tell me how many different formulas there are?

Mr. BENNETT. There are roughly four. Some of them are only slightly different. For instance, the formula established in the Small Reclamation Projects Act and that established in the Upper Colorado River Storage Project Act, vary but slightly. They do not produce, oh, perhaps, an eighth of a percent difference. As I remember, there is just one word different in the act that makes this little slight change.

Mr. ASPINALL. You see when you come up here with a project such as Burns Creek, or Norman, and perhaps it is a little bit more unique, and it bears the interest rate provision it does, and then I have to refer back to the upper Colorado River program and take care of that provision because that was my bill, and I find out that the language that was used there was brought from downtown where the other language comes from—I am not saying it comes from your Department, because I think perhaps it was in conjunction with the Bureau of the Budget—causes me to wonder sometimes who is being taken and who is getting the ride. The same thing is applicable to this question, as you know, Mr. Bennett, from your long experience in the Department, as to the length of the term of payout. The lady from Idaho has just had a very fine paper prepared which I have not had time to more than just look at. I would say a great deal of difficulty we encounter in these questions on the terms of payout comes not only from the members who find a project must be carried over for that long term of payout, but it also comes from the fact that the people downtown who have engineered and surveyed and made the planning report have stated very definitely this could not be done unless the 40- or 50-year payout period policy, which we have tried to follow, is violated and, therefore, in accordance with the necessity of this project, and by virtue of, perhaps, some seniority in Congress, we have gone ahead with them.

The gentleman from Colorado, now speaking, is just as much a violator in some respects as some of the others. But, it is such matters that makes reclamation difficult on the floor.

Now, my colleague from Pennsylvania and I disagree heartily about the overall program, and, yet, I know one thing, that his idea is that if we are going to have the program that we have the best kind of a program which we can explain to the Members of Congress so that we do not bring the future of the reclamation program in jeopardy. And in that we are in agreement. We may differ on everything else, but we are in agreement on that part of it.

Mr. SAYLOR. Mr. Chairman, I might say the thing that has disturbed me over the years is that every time the Department comes up here with a project, it is always accompanied with a report that this cannot be built within the present reclamation law. They always come along with a story that we have got to make an exception. We have had so many exceptions now that nobody knows what the rule is. They have not had the courage, have not had the backbone down there all the years that you and I have been in Congress, under any administration, to come up here and suggest the basic law be changed.

Mr. ASPINALL. It is not their fault on the courage aspect because we do not have it up here to hold them to it. I think it is 50–50.

Mr. SAYLOR. You see what has happened, Mr. Chairman, is that their salesmen have gone out into the field and sold these projects in

the area, and then the pressure comes on the individual Members of Congress so that while the Members of Congress might not have held the Bureau to account, the reason they cannot goes right back to the people that work for the Bureau themselves, who have gone out with their salesmanship and sold these projects in the area.

We have got some other questions.

Mr. ASPINALL. Yes, let us go ahead with the question.

Mr. SAUND. May I ask a question, Mr. Chairman?

Mr. ASPINALL. Yes.

Mr. SAUND. Mr. Bennett, correct me if I am wrong, if I understand your statement 40 percent of the money is borrowed from the reclamation fund, without interest charge, and then 3 percent interest rate on the 60 percent will pay off without Uncle Sam having to put up any more. Is that what you said?

Mr. BENNETT. I do not think that is exactly what I said.

Mr. ASPINALL. May I say to my colleague from California he used the wrong word when he said borrowed from the reclamation fund because it is not a question of borrowing. The fundamental law permits that money which is there to be used.

Mr. BENNETT. What I was trying to say is that if 40 percent of the cost of the project comes out of the reclamation fund and then you repay the other 60 percent with interest at 3 percent, you have, in effect, kept the Government generally whole as if—I think I will start over again. When you pay the interest-bearing part of this project, whatever we are talking about, and let us assume it is all interest bearing, when you pay that at 3 percent, but when you recognize that 40 percent of it, roughly, is non-interest-bearing out of reclamation fund, then in effect you have come out about whole at the end of the payout period.

Mr. SAUND. Under those circumstances, what rate would you have to pay to borrow on long-term bonds? You must have used some basis.

Mr. BENNETT. Long-term bonds have been selling——

Mr. SAUND. I am not talking about what they have been selling, but what do you propose to sell them for in order to arrive at that 3 percent. How did you arrive at the 3 percent figure? You must have figured how much it would cost you to sell those bonds.

Mr. ASPINALL. If my colleague will yield, that is not the way the procedure takes place. The Bureau of Reclamation has nothing to do with the sale of long-term bonds, the Bureau of Reclamation gets its money from Uncle Sam and tries to get the return that would come if the money was borrowed at the time the long-term bonds were sold.

Mr. SAUND. Mr. Bennett said it would be 3 percent. He must have made those calculations on the basis that the long-term bond would be sold at such and such a price.

Mr. ASPINALL. Mr. Bennett has gone back over a few years and projected it into the future a few years and said that 60 percent interest-bearing money, added to the 40 percent would necessitate 3 percent in order to pay Uncle Sam, if Uncle Sam had to borrow the money; that is what he said.

Mr. SAUND. That is all, Mr. Chairman.

Mr. ASPINALL. Do you want to make any further answer?

Mr. BENNETT. As I recall, the computation, in setting up an example you will get somewhat different numbers, depending upon your example. But to give you one, if your project is costing $50 million, for instance, and you repay all of that with interest at 3 percent in 50 years, you get about the same answer, as I recall the figures, if you assume 60 percent of it, which is $30 million, at about 4½ percent over a 50-year period. That is my recollection of the numbers.

Mr. ASPINALL. We will go ahead.

Mr. BENNETT. Now, we were asked to comment on a computation which indicated that the value of a reregulating reservoir below Palisades was $450,000. We assume that this is an annual value and is derived by multiplying a stated value of $15 per kilowatt times the 30,000 kilowatts which Burns Creek adds to Palisades in the minimum months of the adverse year.

To arrive at such a figure as $450,000 per year assumes that the added capacity is sold as straight peaking capacity, without energy, or at least with a very low load factor. We agree that a sale price of $15 per kilowatt for this type of power is a reasonable figure. However, the 30,000 kilowatts which Burns Creek adds to the minimum month is not peaking capacity in that sense. It is simply firm power with which there is energy at system load factor and as such it can be sold under the market load curve.

On the other hand, according to the testimony of Mr. Naughton, president of the Utah Power and Light Co., no market exists in this area for straight peaking capacity. The statement on which we were asked to comment seems to go to a reregulating reservoir, without a powerplant. In our study of such a proposal, we were seeking a means of obtaining additional Palisades power by an ability to operate Palisades with a fluctuating release. The added power so obtained is that which would better permit Palisades operations to meet load characteristics and is not power which, under other conditions, could be sold at straight peaking capacity.

Now I have had to make some assumptions here because I was not fully aware of the background of the particular computation. But it seemed to us from the statements that had been made, that the assumptions we made here were reasonable.

Mr. SAYLOR. Mr. Chairman, I am the one that asked that question yesterday, and when I tried to develop those facts as to the potential of the Palisades project, under the most adverse water conditions of record, and the effect of the single-purpose reregulating reservoir on the use and value of Palisades power output.

Now again I want to ask you this: Is it not true that during December and January, winter season, and under the most adverse water conditions Palisades project is limited to an average output of 17,000 kilowatts and the peaking generation of 26,700 kilowatts? The reason I want that is because yesterday you told me those figures were not correct.

Mr. BENNETT. The figures which we gave yesterday on the adverse year, the minimum month was 26,700 kilowatts, as I remember.

The 17,300 to which you refer there is the Burns Creek powerplant in December of 1935, which is next to the minimum month of the minimum year.

Mr. SAYLOR. Now, you furnished to the Federal Power Commission these figures. I want to know whether or not you are furnishing us with one set of figures and the Federal Power Commission with another set of figures.

Mr. BENNETT. These are coming from the tables which we furnished to the Federal Power Commission at their request.

Mr. SAYLOR. In that you said that under the most adverse water conditions there was between 16,000 and 17,000 average kilowatts and that the peak generation would be limited under Bureau operation criteria to 26,700 kilowatts.

Mr. BENNETT. Yes, that is the 1934 year and the month of December. It happens to be the same in November. January, February, and March, 1935, are all the same.

Mr. SAYLOR. All right. Now, I want to ask you, again, could not the peaking capacity of Palisades be increased during the December-January period to over 60,000 kilowatts by constructing a single-purpose reregulating reservoir with a capacity of not more than 17,000 acre-feet? The reason I ask you for this information is that you furnished to the Federal Power Commission figures which show the minimum peaking capacity of the Palisades project to be 60,500 kilowatts in October of the most critical water period and 67,500 kilowatts in December of the most critical period.

Mr. BENNETT. The figures which we gave the Federal Power Commission, which is table I which is the unrestricted operation of Palisades with Burns Creek, has in this same year of 1935 and the minimum month, which in this case comes out as September, October, and November, 57,500 total peaking capability or theoretical capacity.

Mr. ASPINALL. Will you restate your question, Mr. Saylor, the first question you asked, so that we can get an answer?

Mr. SAYLOR. My question is, would not the peaking capacity at Palisades be increased during the December-January period to over 60,000 kilowatts by the construction of a single-purpose reregulating reservoir with a capacity of not more than 17,000 acre-feet?

Mr. BENNETT. When you talk about the 17,000 acre-feet reregulating reservoir, without a powerplant, then it gets very difficult to give you a precise figure of that kind, because the thing which you are doing in that event varies. I have the table here, if I can find it.

We tried to reduce this situation to a usable capacity basis considering available energy and we found it almost impossible. Now, what we found by virtue of the 17,000 acre-foot reregulating reservoir, without a powerplant, was that it permitted us to obtain an average of about 34 million kilowatt-hours on peak. This is simply an improved operation at Palisades. We were unable to reduce that back to a meaningful capacity figure because it varies all over the place, month by month, and year by year. So I do not think you can get a straight factual answer to that kind of a question although the theoretical capability does become 57,500 kilowatts.

The material which we furnished to the Federal Power Commission, table I, went to a Burns Creek with a powerplant and unrestricted Palisades releases which gives theoretical capability without regard to available energy, and I think this is where we are having our difficulty.

Mr. SAYLOR. Mr. Chairman, in order that the record may be clear

on what the question of what the potential output and capacity of the Palisades project is, I ask that the Bureau furnish the figures to be inserted at this place in the record to show the generation at Palisades expressed in average kilowatts for each month of the most adverse period of record, that is 1934 and 1935, and also the maximum peaking capability of the Palisades project, based on the minimum head during each of these months.

In addition, I ask the Bureau whether or not the following dependable capacity figures, and the footnote, of the Palisades under the most adverse water conditions are not those reported to the Federal Power Commission, under date of May 21, 1959.

July of 1934, 131,000 kilowatts; in August, 104,000 kilowatts; September, 74,500 kilowatts; and in October, 60,500 kilowatts; in November, 63,500 kilowatts; in December 67,500 kilowatts; in January 1935, 70,000 kilowatts; in February, 72,500 kilowatts; in March, 74,500 kilowatts; in April, 85,500 kilowatts; in May, 104,500 kilowatts; and in June 131,000 kilowatts.

Now, according to the footnote which you gave to the Federal Power Commission, you said that this data was reported under adverse flow conditions and are based on stream flows in the period of July 1934 through June 1935, which is the most critical period of study from 1928 through 1953.

(Discussion off the record.)

Mr. ASPINALL. Do I understand my colleague to ask for these figures for dependable power?

Mr. SAYLOR. That is correct.

Mr. ASPINALL. Not peaking power, not firm power, but dependable power.

Mr. SAYLOR. Yes.

Mr. ASPINALL. Will you be able to furnish those to the committee?

Mr. BENNETT. I am sure we will. It is simply a matter of digging up the material we furnished the Federal Power Commission.

Mr. ASPINALL. Does that in any way go to the statement that you just made that it was impossible to furnish such figures on power facilities at Palisades alone, with the reregulating facility for Burns Creek, without power installations?

Mr. BENNETT. As I understood the question, as he was stating it there, it is a somewhat different question than what would be the situation at a reregulating reservoir at Burns Creek, without a powerplant. I want to get the transcript and analyze it fully. The question was a very long one. I think it is a different question than the statement which I made a bit ago.

Mr. ASPINALL. The information will be received and placed in the record at this place.

Without objection, it is so ordered.

(The information furnished by the Bureau of Reclamation is set out at this point followed by a letter from Congressman Saylor commenting on the information as it relates to his request.)

A check of our records indicates that by letter of June 4, 1959, to the regional engineer, Federal Power Commission, we submitted what is known as form 12, schedule 2, data. The data contained on said schedule 2 under the heading "Adverse Flow Conditions" are the same as those read into the record by Mr.

Saylor when account is taken of what appears to be transposition of numbers. The following is a comparison of the numbers read into the record and those appearing on said schedule 2.

[In kilowatts]

Month	Read into record	From schedule 2	Month	Read into record	From schedule 2
July 1934	131,000	131,000	January 1935	70,000	70,000
August	104,000	104,500	February	72,500	72,500
September	47,500	74,500	March	74,500	74,500
October	60,500	60,500	April	85,500	85,500
November	63,500	63,500	May	145,000	104,500
December	67,500	67,500	June	131,000	131,000

The figures reported on said schedule 2 are the theoretical or unrestricted peaking capability for each month of the most adverse period of record. They are based upon the average of the heads at the beginning and end of each month and not minimum head for the month, nor are they limited by downstream operations. The schedule 2 data, in accordance with the instructions issued by the Federal Power Commission, are intended to show "potential capacity," and are not intended to reflect actual operating conditions. Consequently, even though the column itself is headed "dependable capacity," it is actually theoretical capacity assuming a condition of unrestricted releases from Palisades.

The following table shows the peaking capability for each month of the adverse period, taking into account downstream operating restrictions. These data were transmitted to the Federal Power Commission on January 27, 1960, and were those testified to on March 24. The numbers are based on supplying loads having monthly load factors of 60 percent in October through April. Since the downstream restrictions require minimum fluctuation of water flow in the irrigation season, the May through September figures assume loads of 100 percent load factor up to the nameplate rating of 114,000 kilowatts, and allow peaking above 114,000 kilowatts only to the extent that power can be generated with average irrigation releases. In no case was peaking permitted above 115 percent of the nameplate rating.

Peaking capability (restricted)

Month:		Month—Continued	
July 1934	107,800	January 1935	26,700
August	85,500	February	26,700
September	46,900	March	26,700
October	32,200	April	43,300
November	26,700	May	86,000
December	26,700	June	131,100

The Bureau has also supplied data to the Federal Power Commission under date of January 27, 1960, as to unrestricted peaking capabilities of Palisades during the period in question as follows:

Peaking capability (unrestricted)

	Megawatts		Megawatts
June 1934	131.1	January 1935	66.3
July	118.8	February	69.0
August	85.5	March	71.0
September	57.5	April	90.5
October	57.5	May	114.0
November	57.5	June	131.1
December	62.5		

These figures will differ from those quoted by Mr. Saylor and taken from Federal Power Commission form 12, schedule 2, because they are based on minimum head conditions for each month except for April, May, and June 1935. During November through March, beginning of month figures were used. During April through October, end of month figures were used. During April, May, and June 1935, peaking capability is minimum at beginning of month; since reservoir

elevation and local peaking requirements were both rising rapidly during the month, peaking capabilities at the end of month were used in order to match maximum loads with coincident peaking capabilities. Also slightly different assumptions were made as to tail water and penstock losses.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., April 11, 1960.

Hon. WALTER ROGERS,
Chairman, Subcommittee on Irrigation and Reclamation, Committee on Interior and Insular Affairs, U.S. House of Representatives, Washington, D.C.

DEAR WALTER: During the recent hearings on H.R. 1235, the bill providing for the construction of the Burns Creek project in the upper Snake River Valley, Idaho, in response to a question, the Bureau of Reclamation was asked to submit certain data. The proper answer to the request by the Bureau should be as follows:

(1) Re Palisades dependable capacity figures reported to the Federal Power Commission by the Bureau of Reclamation:

Following are the Palisades dependable capacity figures as reported to the FPC under date of May 21, 1959:

Month:	*Kilowatts*	Month—Continued	*Kilowatts*
July 1934	131,000	January 1935	70,000
August	104,500	February	72,500
September	74,500	March	74,500
October	60,500	April	85,500
November	63,500	May	104,500
December	67,500	June	131,000

With two exceptions, these are the same as the figures which I read into the record as shown by the transcript. The September figure of 74,500 kilowatts is shown in the transcript as 47,500 kilowatts. Apparently a transposition of the figures. The May figure of 104,500 kilowatts is shown as 145,000 kilowatts, apparently another transposition.

(2) Average kilowatt generation and peak kilowatt capability of the Palisades project under the most adverse water conditions of 1934–35 would be as follows:

Month	Average kilowatts [1]	Peak capability, kilowatts [2]	Month	Average kilowatts [1]	Peak capability, kilowatts [2]
June 1934	94,700	131,000	December	16,000	62,500
July	107,800	118,800	January 1935	16,000	66,300
August	95,600	85,500	February	16,000	69,000
September	46,800	57,500	March	16,000	71,000
October	19,300	57,500	April	26,000	90,500
November	16,000	57,500	May	86,000	114,000

[1] Energy generation expressed in average kilowatts of continuous power.
[2] At minimum head available during month.

The addition of the doubletalk and further elaboration can only serve to confuse the issue and to make the Bureau's position more difficult to determine. I hope you will confine the Bureau's answer to the above facts.

Sincerely,

JOHN P. SAYLOR, *Member of Congress.*

Mr. ASPINALL. The Chair would ask unanimous consent that the material having to do with interest rates be placed in the record at the proper place, earlier in the day's session.

Hearing no objection, it is so ordered.

Mr. ULLMAN. Would the gentleman yield?

Mr. SAYLOR. Yes. I believe dependable power is synonomous with peaking capacity in this instance.

Mr. ULLMAN. Just a question on the interest rate. I did not get a table. Was this an analysis——

Mr. ASPINALL. The table will be furnished to the gentleman.

Mr. ULLMAN. Thank you.

Mr. BENNETT. Another question that was asked yesterday was that we go into somewhat more detail in the effect of our integration contract with Idaho Power Co. on the Palisades net revenues.

I indicated yesterday that I could not recall the exact number, but that it was in the neighborhood of $100,000 of increase assigned to Palisades. Now, we have analyzed this matter in detail and we find that in the system, the system consisting of Boise project, Minnidoka unit No. 7, and the Palisades project, that the integration contract increases our net revenue in the system $176,700 a year. That total increase we have assigned to each of the units in the system. We have done that on a percentage basis. We arrive at the percentage basis by first computing the percentage of the total generation each unit produces in the average year, then computing the percentage by which each unit contributes to total capacity produced at the time of the annual peakload. These two percentages are then weighted on the basis of the relationship between the demand and energy charges of the rate schedule. By this process we arrive at the following percentages to be applied to gross revenues: To the Boise project 26.6 percent, to the Minnidoka project unit 7, 3 percent, to the Palisades project 70.4 percent.

By applying the 70.4 percent to the gross revenue, you obtain the share to be assigned to Palisades and after deducting the operating costs, the increase in net revenues at Palisades is $115,000 per year.

I think we got a little bit of confusion yesterday at this point. This figure of $115,000 per year, although it is derived from the fact that the integration contract adds 30,000 kilowatts of firm power to the system, has no relationship to the 30,800 kilowatts which Burns Creek adds to the Palisades operation in the minimum month of the adverse year. The power added to the system by Burns Creek, when sold at present Palisades system rates, results in an increase in net revenue of $1,147,000. These figures do not take into account the possibility that Burns Creek would be included in the integration contract.

Now roughly, when you take the integration contract and when you add Burns Creek, you find that the increase due to integration, approximately $115,000, added to the increase due to Burns Creek, $1,147,000, gives a total increase of $1,262,000. I think the main point I am trying to make here is to dispel any confusion that might have existed yesterday between the 30,000 added by the integration contract and that which is added as a result of Burns Creek coming on the system. They are two unrelated items.

The other question——

Mr. ASPINALL. Are there any questions on this particular information?

Mrs. PFOST. Mr. Chairman?

Mr. ASPINALL. The gentlewoman from Idaho.

Mrs. PFOST. I am not sure I am clear on this last point. Can you give us the increased production in kilowatt-hours and in dollars net revenue of the combination of Burns Creek and Palisades, as against Palisades alone?

Mr. BENNETT. With Palisades not under the integration contract?

Mrs. PFOST. Yes.

Mr. BENNETT. Total Palisades powerplant alone, without the integration contract is 577,900,000 kilowatt-hours of sales. In other words, this includes a transmission loss. It is not the generation at the generators. Palisades and Burns Creek combined, the total sales 1,021,000,000 kilowatt-hours, or an increase of 443,100,000 kilowatt-hours.

Mrs. PFOST. Now, have you covered the net revenue in the same manner?

Mr. BENNETT. No, but we can.

The net operating revenues of Palisades alone, without the integration contract, $1,147,800. The net operating revenue with Burns Creek added is $2,294,800. The difference between those two figures, I think, you will find is about $1,147,000, if I remember the subtraction.

Mrs. PFOST. Thank you very much.

Mr. BENNETT. The other question which we were asked was by Congressman Burdick. We were asked to compute the power rate required to return the irrigation assistance in 50 years after completion of construction. For all practical purposes, this means 50 years after completion of Palisades.

On this condition and assuming that Burns Creek will begin generation in 1966, an increase after that date of $209,000 in the annual gross power revenues would be required to accomplish the payout in the 50-year period, or in year 2007. This would require an increase in the gross power revenues from the combined Palisades and Burns Creek systems of 7.9 percent. Reduced to a kilowatt-hour basis this is equivalent to 0.28 mill per killowatt-hour to be added in 1966 to the present average of 3.28 mills per kilowatt-hour.

It should be noted that this analysis which has been prepared in response to a specific question is conservative in that it is based on a price payout of the irrigation assistance in 50 years after completion of construction. In most cases, such a 50-year period does not start until after a development period and then is associated with each irrigation bloc.

Also to be noted is the fact that we have assumed repayment of interest-bearing investment first. This fact results in paying out Burns Creek in a total of 42 years after installation of the initial unit.

Mr. ASPINALL. Let me ask a question there: Is that not in accordance with the procedure that has been followed in the upper Colorado River program as far as that part of the cost of the main unit dams which has been allocated to irrigation?

Mr. BENNETT. That is correct so far as the storage units are concerned. It does not apply in that manner on the participating project.

Mr. ASPINALL. That is right.

Mr. BENNETT. The point I am making here is that we have assumed all of the irrigation assistance to be paid out starting at a completion

date of Palisades. This overlooks the fact that the Fort Hall Indian project, for example, is just now under construction and will not be completed until 1966. It overlooks the fact that the Michaud unit which is also tied to Palisades is still in its development period. So to that extent it is a somewhat more severe criteria than would be the the case in the upper Colorado River project.

Mr. ASPINALL. Let me ask you this question: Does the addition of this 0.28 mill, as I understood your statement, of additional charge make this project infeasible as far as the sale of power is concerned?

Mr. BENNETT. I am quite sure that the answer to that is "No."

Mr. ASPINALL. On the face of it.

Mr. BENNETT. It is slightly more than a quarter of a mill.

Mr. ASPINALL. I think the question Mr. McFarland just asked me is right. Can you make that change in the existing contracts or would you have to wait until those existing contracts run out, or are your existing contracts eligible to amendment at certain periods of the contracts, so that the change can be made?

Mr. BENNETT. I would have to check those contracts to be absolutely sure, Mr. Chairman. In many instances, a contract cannot be changed until its expiration date, in other cases we have written in ability to change rates when situations require it.

Mr. ASPINALL. Most of your contracts, as I remember them——

Mr. BENNETT. Mr. Nelson tells me these particular contracts do have a rate change provision in them.

Mr. ASPINALL. That is right, at a certain period; not today or tomorrow, but perhaps 20 years.

Mr. BENNETT. I think on 5-year intervals, or on a year's advance notice, or something of that sort, is the way they are written.

Mr. ASPINALL. Are there any further questions about this part?

Mr. BENNETT. I think, Mr. Chairman, that supplies the information which we were asked to supply yesterday.

Mrs. PFOST. Mr. Chairman, I have just one question.

Mr. ASPINALL. The gentlewoman from Idaho.

Mrs. PFOST. That is with regard to Michaud Flats and Fort Hall projects. Were those handled under the regular policy of the Bureau? When the original Palisades project was authorized it was my understanding that these two projects were not considered, or taken into consideration and then some time later, these projects were attached to the original Palisades plan. This added a sizable charge against the Palisades project, did it not?

Mr. BENNETT. I think it did. As I recall, the Palisades was authorized first, and then subsequently, the Michaud Flats project, and the Fort Hall Indian part of the unit were both authorized about 4 years later.

Mrs. PFOST. What year will the Fort Hall power come on the line?

Mr. BENNETT. We have checked with the Bureau of Indian Affairs and their program calls for completion of construction in 1966.

Mrs. PFOST. Could you give me a figure of what the rate adjustment would be if you followed your usual practice in projects of this kind?

Mr. BENNETT. I can give you a figure that is quite close. At a 3-percent rate for power, it would require an increase of about 6 percent.

In other words, that is in comparison with the figure I gave you a moment ago of 7.9 percent.

Mrs. PFOST. What would that do to this 0.28 mill?

Mr. BENNETT. It would be somewhat less. It would be roughly 0.2 of a mill to distinguish from 0.28. That figure assumes no integration of Palisades. If we take Palisades integrated, the increase would be only 3½ percent.

Mrs. PFOST. Considering integration what would the rate be?

Mr. BENNETT. Three and one-half percent would be about 0.1 mill roughly, a little better than 0.1 mill.

Mr. ASPINALL. Let me ask you this question. Mr. Nelson more than likely has the answer. In your general power contract provisions you have a section on modification of rates.

Modification of rates.—The rate schedule specified in this contract shall be subject to successive modification by the United States through the promulgation of superseding rate schedules. If at any time the United States promulgates a rate schedule superseding the rate schedule then in effect, under this contract, it will promptly notify the contractor thereof. Said superseding rate schedule, as of its effective date, shall become effective as to this contract unless the contractor, by notice in writing given to the contracting officer within 180 days after notice to it by the United States of promulgation of said superseding rate schedule, shall elect to terminate this contract effective as of such date not more than 3 years subsequent thereto as the contractor shall therein specify. In the event of such termination, said superseding rate shall not be effective during the period of the remaining, unexpired term of this contract, or during a period of 2 years from the date of the period of the remaining, unexpired term of this contract, or during a period of 2 years from the date of notice to the contractor of the promulgation of said superseding rate schedule, whichever period is shorter.

Is that the provision, Mr. Nelson, that is in your contract?

Mr. NELSON. Yes.

Mr. ASPINALL. Do you, at the present time, foresee any possibility that any contractor would pull out of his contract because of the increase even up to the maximum of 0.28 of a mill?

Mr. NELSON. No, sir; I do not. There is another reason why, too, and that is this: the rate increases assumed here are based upon when Burns Creek becomes productive on the line, which would be about 1966. So the contractors would have at least a 6-year period to be thinking about the economics of that rate increase. I think that provision is there as a protection to both sides, not only because of possible payout changes, but also in the event that there are necessary changes due to rising operations and maintenance costs.

Mr. ASPINALL. Let me ask this question: With that additional raise, which might be necessary, how close are you to competitive power produced by others?

Mr. NELSON. I do not know that I can answer it in quite that manner. I would say, sir, the rate itself is not formidable. I have indications that as far as I know, the balance between our supply and demand is such that our power would still be salable.

Mr. ASPINALL. Mr. Saylor has some additional questions.

Mr. SAYLOR. Mr. Bennett, some time ago, you added a comment to one of your answers and quoted a certain utility official on the reason that any peaking power that might result from the increased operations at Palisades would not be salable; is that correct? You said there was no market for it.

Mr. BENNETT. Yes; I believe that was almost exactly what I stated. Mr. Naughton had testified back in February that there was no market for straight peaking capacity.

Mr. SAYLOR. Let me tell you that I probably anticipated that you would use that statement, so I would like to ask you some questions with regard to it.

The Pacific Northwest power pool, of which the Palisades market area is a part, has a present winter peak of nearly 2 million kilowatts above the summer peak. Is that correct?

Mr. BENNETT. In the first place, Palisades is not a part of the Northwest power pool.

Mr. SAYLOR. In other words, you want to go on record here and tell this committee that there is no interchange at all between Palisades and no possible grid tie-in of Palisades to the Pacific Northwest power pool?

Mr. BENNETT. That is not exactly what I was saying. There is an indirect tie between the Southern Idaho Federal System and the Columbia Basin System which is made through the Idaho Power Co. As I recall, they are tied to the Bonneville System at La Grange, Oreg., and they, in turn, are tied to us. But in terms of the Northwest pool where all of the Bonneville System and the various utilities and other types of operations in that area have gotten together on a pooling arrangement, Palisades' production or Boise's or Minnidoka unit 7 is not a part of that power pool as such.

Mr. SAYLOR. Because of the grid system that you have got out there and the exchange of power, would it not be possible to use this increase at Palisades in serving the winter peak in that area?

Mr. BENNETT. I think this, Mr. Saylor: that farther down the river there is a market for peaking capacity. We are selling now some peaking capacity farther to the west.

Mr. SAYLOR. If you did, could you not sell this winter peak from Palisades and in turn in the summer, when there is a surplus of power in the west group, that could be used in the Palisades area on the basis of exchange.

Mr. BENNETT. It is, of course, possible to work out such an arrangement, but it requires wheeling over Idaho Power Co. lines for that purpose. It would require agreement with the Idaho Power Co.

Mr. SAYLOR. Well, you have not had any difficulty in arranging wheeling contracts in that area to date, have you?

Mr. BENNETT. Well, our wheeling contracts to date are those whereby they wheel our power to customers.

Mr. SAYLOR. Have you had any difficulty in negotiating wheeling contracts in that area?

Mr. BENNETT. Not for wheeling; no, sir.

Mr. SAYLOR. All right. Mr. Bennett, yesterday, Mr. Haley asked a question as to the shortage of water in any dry year. I think, at that time, you made a statement you did not know about it. I went back and looked up your reports on Palisades which gives a tabulation showing a shortage with Palisades in operation of 2,586,000 acre-feet under 1934 water conditions, 810,000 acre-feet under 1935 water conditions. According to this tabulation, Palisades—together with Lake Jackson—would reduce the shortage under 1931 water conditions by

1,503,000 acre-feet. However, under 1934 water year conditions only 629,000 acre-feet of additional water is reported to be made available by Palisades and only 171,000 acre-feet in 1935.

Now, assuming that the figures which the Bureau furnished to this committee for the construction of Palisades, if Palisades, with a usable storage capacity of 1,200,000 acre-feet can only supply 171,000 acre-feet of added water in a year like 1935, how much could Burns Creek, with a capacity of 100,000 acre-feet contribute?

Mr. BENNETT. In the first place, I do not recall telling Mr. Haley that there was no water shortage in this area. As I recall, the question went to how often would the storage capacity in Burns Creek be utilized. I think, as I recall, I did testify there was a water shortage in that area in these dry years.

Now, Palisades in itself is a long-time carryover reservoir; it is in effect insurance water. Burns Creek, according to the computations contained in the planning report, would be able to provide in 2 of those roughly 26 years, as I remember, of study period, a shortage of 100,000 acre-feet, and could fully utilize it twice in that period.

However, as I testified yesterday, when you pool the Palisades space and the Burns Creek space, some portions of it are usable almost every year.

Mr. SAYLOR. All right. I would like to call the committee's attention to another factor. Yesterday, we had a discussion on a question originated by my good colleague, Mrs. Pfost, with regard to the actual versus the estimated cost of Palisades. You showed, and I think the impression was left, that the actual cost of Palisades was considerably under the estimated cost. I do not say I have the best memory up here, but it just did not ring true and so I went back and I dug up some of the reports which the Bureau of Reclamation sent up to Congress for Palisades. I would like to put them in the record because they are startling.

The first record that I can find that Palisades was presented to Congress was in 1941, and the Bureau of Reclamation in 1941 estimated the cost of Palisades project—$18,125,000 for a dam and reservoir and $2,811,000 for a powerplant and transmission facility, for a total cost of $20,936,000.

Now, even with the rise in prices since 1941 until it was completed, and remembering, of course, yesterday's statement which the witness made that the reason for a reduction in the estimated cost was that the transmission lines did not have to be built, I think it should be made very, very clear that the actual cost of Palisades of over $62 million greatly exceeded the original estimated cost of the Burns Creek project. This, of course, is in true keeping with the enviable record, now over 58 years, of the Bureau of Reclamation that they still have never built a project within the original estimated costs that they came up to Congress with and asked for an authorization.

Mr. HALEY. Will the gentleman yield?

Mr. SAYLOR. I will be happy to yield.

Mr. HALEY. The final cost of Palisades was approximately $62 million?

Mr. SAYLOR. $62 milllion.

Mr. HALEY. Their estimated cost in 1941 was, as the gentleman stated $20,936,000?

Mr. SAYLOR. Yes.

Mr. HALEY. When was Palisades finally finalized?

Mr. SAYLOR. I think we tried to pin them down yesterday as to whether or not it is finalized as yet, but I will let the witnesses tell you when the powerplant went into production and when the dam was completed.

Mr. NELSON. Congressman Saylor and Congressman Haley, your figures are absolutely correct for the years mentioned. I wish to point out, if I may, that the project authorized by a secretarial report transmitted by the Congress in 1941 was not the project that was reauthorized by the Congress in 1950 because the size of the powerplant in 1941 was something like 30,000 kilowatts. The project authorized in 1950 was for a 114,000 kilowatt powerplant. So the type of project is not the same. The cost estimates you quote for 1941 are correct. That was our estimate and I believe we could have built that project, at that time, for that figure. I hope so. The project that was authorized by hearing before the Congress in 1950 had an estimated cost of $77 million, and that project was built for $62 million, not including $3,800,000 worth of transmission facilities, which were not built.

Mr. SAYLOR. I would like to call your attention to the fact that the figures I gave you of $20 million, included transmission lines. Now, you want to take credit for not building them.

Mr. BENNETT. In specific answer to your question——

Mr. HALEY. I want a specific answer as to when you went on the line.

Mr. BENNETT. The first unit went into operation in 1957. The other units are now completed and on the line.

Mr. HALEY. What was the final cost of your powerplant as such?

Mr. BENNETT. Of the power facilities alone?

Mr. HALEY. Let us go back to the $2,811,000 as the cost which the gentleman from Pennsylvania indicated for the cost of powerplants and what other items he had in there.

Mr. BENNETT. The Palisades powerplant, $12,022,000, the Palisades switchyard, $1,512,000. The Palisades Goshen transmission line, $2,290,000. These are the only specific power costs.

Mr. HALEY. I might ask the gentleman from Pennsylvania what additional items were included in their original proposed facilities that were going to cost $2,811,000?

Mr. SAYLOR. They say they increased the size of the powerplant, but they also included the transmission line, and some other transmission lines which they did not build.

Mr. HALEY. How great a capacity was brought into being for the additional $47 million against the original estimate? What different type of construction did you have on your storage facilities or dam and so forth, that cost $47 million more?

Mr. BENNETT. The increase in the powerplant capacity was approximately 80,000 kilowatts. You also had working, of course, between 1941 and 1950, the increases in cost of construction and it is a combination of the two things that ended up with the estimated cost in 1950 of $77 million.

Mr. HALEY. In other words, from the time you estimated the cost of the dam in 1941 at the cost of approximately $18 million, the increased costs in that alone were approximately $31 million? Is that correct?

Mr. BENNETT. I think that is about the right subtraction.

Mr. HALEY. Or an increase of nearly 200 percent?

Mr. BENNETT. Yes; due to the two items of increase in costs and increase in size of the powerplant.

Mr. HALEY. How much increase in size did you have?

Mr. BENNETT. It was approximately 80,000 kilowatts, about 30,000 to 114,000.

Mr. ASPINALL. He means reservoir capacity.

Mr. HALEY. I mean reservoir capacity.

Mr. BENNETT. There was no increase in the reservoir capacity.

Mr. HALEY. I thank the gentleman from Pennsylvania.

Mr. ASPINALL. May the Chair say to his colleagues that their pointing this matter out is all very well, but this happens to be one of the better projects, regardless of whether or not its cost increased, or whether it did not increase, because the services which this project renders to this particular river basin and the power which is produced because of it, of course, it is a multiple-purpose project, makes in itself a very enviable project. It is just too bad, in the Chairman's opinion at least, it was not an integrated project to start with, and then we would not have had this difficulty of trying to work a part, which more than likely should have been from the very beginning, a part of the project in at this late hour. This is where our difficulty comes from.

Mr. HALEY. Will the gentleman yield?

Mr. SAYLOR. I will be happy to yield.

Mr. HALEY. Responding to my distinguished chairman, I recall that when I first came on this committee, we were then having some difficulty and inquiry as to what the project was because it had been started prior to my coming to the Congress, because they started off with a project, supposedly to cost $11 million, as I recall it—I am going on my memory now—and it finally wound up costing $37 million. I think, as the gentleman from Pennsylvania said, when the Bureau comes up here with a project and says it is going to cost so much, you can just figure it is going to cost either twice or probably three times more than the original figure they suggest.

Mr. SAYLOR. Mr. Chairman, yesterday when we had just about concluded our hearings, I recommended that everybody read the letter from Mr. Nelson to Mrs. Pfost, which appeared on page 382 of our committee hearings, because I expected to call attention to something which I think needs some clarification.

In answer to Mrs. Pfost's question, the Bureau states that there would never be need for a reregulating reservoir below Burns Creek because the Burns Creek releases would always be uniform. Now, yesterday, Mr. Bennett said that the Burns Creek project would be operated with the same variation as would Palisades. I want to know which one is correct. That should be very simple. Either we are going to have a uniform flow downstream or we are not going to have a uniform flow downstream.

Mr. BENNETT. Mr. Saylor, I think despite the particular language in this letter, we are not saying different things. The uniform flow, as we have said, is uniform during the irrigation season, with and without Burns Creek, which is the important thing. The thing you are trying to accomplish by Burns Creek is the maintenance of the flows during the irrigation season for the benefit of the irrigators and those will be uniform, with and without Burns Creek.

Mr. SAYLOR. If you are going to develop power at Burns Creek—and your recommendation, which you now say was suggested by the Federal Power Commission, was that the Palisades project should have built below it a reregulating reservoir so that you could get full benefit out of Palisades. If you are going to operate Burns Creek in the same manner as Palisades is now operated, then, to take care of the irrigators downstream, would you not be coming in here in a few years and telling us you will have to put in a reregulating reservoir—and then, of course, we will probably be told it will have to have some power features—on downstream a little bit farther when the area finally gets to the stage that it is going to need some more power?

Mr. BENNETT. We certainly have no contemplation whatsoever of doing that. I do not at the moment see how you could obtain any increase in benefits amounting to anything by attempting to have another reservoir below Burns Creek, to permit still additional operational changes in the two upstream. You can only accomplish this type of a thing so many times, and then you get no further benefits.

Mr. SAYLOR. I am afraid, Mr. Bennett, that from 1941 down to the time the Palisades project was completed we did not have evidence we even needed a reregulating reservoir, now we not only need a reregulating reservoir, we need another powerplant—I am afraid this is just like Topsy, it is going to continue to grow.

Now, yesterday you made the statement that somewhere between 75,000 and 100,000 additional acres of ground were going to be brought into development in this area by reason of the pumping which was going to be done from underground sources. Can you tell us how much pump irrigation has been developed in the Snake River Basin?

Mr. NELSON. About 600,000 acres.

Mr. SAYLOR. Of that 600,000 acres, how much has been developed by Federal power and how much by non-Federal power?

Mr. NELSON. I would say that at the present time, the Federal development is about 100,000 acres. That is the Minnidoka North Side, plus the Michaud.

Mr. SAYLOR. Therefore, the utilities of the area have made available power to the farmers in the Snake River Basin to develop 500,000 acres of land. Is that correct?

Mr. NELSON. I would say that is correct.

Mr. SAYLOR. You have been here, Mr. Nelson, throughout most of these hearings, I think in fact all of them, and you have heard all of the witnesses testify that there is no power shortage in this area. Is that correct?

Mr. NELSON. That is correct.

Mr. SAYLOR. Therefore, this 75,000 or 100,000 acres will be developed whether or not this project is put in.

Mr. NELSON. I could not quite agree with that, sir. I think that it is not a question of where the power comes from, I think it is a question of the economics of the pumping lift converted to cost of production. I think any time the annual cost to the irrigator gets above about $12 an acre for all purposes, that is pumping power, operation, replacement, plus the cost of his farming operation, that we are reaching the marginal limit. So I say that the low lifts have been developed now, and there has been a substantial development related to the present power rates. We did not assume that the pumping power that Mr. Bennett was talking about would necessarily be marketed at all through the Federal project. It could very well come off of the private utilities in the area. It is just the availability of the supply of power that matches the irrigation season. To the extent that the pumping power rates in combination with other costs result in a feasible operation, then there will be additional development of the underground water resource.

However, even with no power costs, there are still lands beyond economic reach. So whatever the power rate is a ceiling will be reached, but there is available water, there is available acreage that could develop within that $12 total cost I am speaking of, regardless of where the power comes from.

Mr. SAYLOR. Let me ask you two questions to further implement your last statement. Can you tell me what the average gross annual return per acre is from pump irrigated lands in the Snake River Basin?

Mr. NELSON. Yes, I can give you a fair idea. Last year the gross returns on the Minnidoka North Side project were about $117 an acre.

Mr. SAYLOR. And what is the average cost of power for pump irrigation in the Snake River Basin?

Mr. NELSON. That varies, with the lift, it varies with the type of farming operation, but I can tell you that on an average of the 80,000 acres for which we have precise records, the pumping costs were about $4.50 per acre based upon the delivered costs of about 4.7 mills per kilowatt-hour.

Mr. SAYLOR. Now, Mr. Chairman, the Bureau of Reclamation under date of February 24, sent a letter to Congressman Ben Jensen giving the estimated costs of $6,100,000 for a 17,300 acre-foot reregulating reservoir at the Conant Valley site. Now that total figure was made up of the following items which I think are startling and I would like to put them in the record: Right-of-way, $500,000; highway relocation, $1,600,000; telephone relocation, $3,200; clearing, $79,000; dam structure, $323,000; diversion and care of water, $169,000; spillway and outlet works, $1,230,000; access roads, $24,000, or a subtotal of $3,928,200. To which they added a contingency of 25 percent, $971,800, bringing up to a total of $4,900,000.

Then they added, believe it or not, engineering and administration, $1,200,000, bringing their total up to $6,100,000.

The reason I place that analysis of this statement into the record is because it raised the question in my mind as to whether or not this site is the best site that there is for a reregulating reservoir, or whether or not the Bureau has picked the most costly site for the erection. I think you will notice that highway relocation calls for

$1,600,000, or 40 percent of the base cost, their contingencies, of course, which they always exceed, is $971,800, and engineering $1,200,000, which I think are exhorbitant.

I asked the U.S. Geological Survey to furnish me with topographical maps of the area and I have examined them. And those topographical maps show that a reregulating reservoir of 17,100 acre-feet can be built at Black Canyon damsite, or even at the Burns Creek damsite without affecting any highways. This would eliminate $2½ million if we include the indicated percentage for contingency and engineering and administration. In other words, I think the Bureau could build a reregulating reservoir and allow them to get full use of Palisades for somewhere in the neighborhood of $3½ to $4 million allowing them their full share of engineering and administration and even 25 percent for contingencies. It is one of the reasons, Mr. Chairman, I have gone into this matter in such detail and spent a good bit of midnight oil in figuring it out on the record the Bureau has presented to us; to ask a number of these questions in trying to get this record established as to whether or not the project presented by the Bureau in H.R. 1235 is the best way to get the full use of the Palisades Reservoir.

That is all, Mr. Chairman.

Mr. ASPINALL. I think the gentleman from Pennsylvania is to be commended on the diligence with which he has pursued his case. I am not so sure that all of these answers are quite as easy to find, but I know he has spent considerable length of time in finding the answers to the questions which he has proposed. As I understand it, this concludes the hearings on this particular matter, and with that understanding, the hearings are closed, and the committee stands adjourned.

(Pursuant to unanimous consent agreement whereby any member of the committee could submit questions to witnesses and obtain answers for the record, there follows a letter from Congressman John P. Saylor and the answers of the Bureau of Reclamation to the questions asked.)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., April 12, 1960.

HON. WALTER ROGERS,
Chairman, Subcommittee on Irrigation and Reclamation, Committee on Interior and Insular Affairs, U.S. House of Representatives.

DEAR WALTER: As you will recall, I spoke to you about questioning the Bureau of Reclamation relative to the six power rate tables they presented to the subcommittee during the hearings on the Burns Creek project March 25, 1960, and to have the questions and answers inserted in the printed hearings.

These tables purported to show what the combined rate would have to be, for Palisades and Burns Creek, based on "a certain 50-year repayment period and on various interest rates" and on other assumed conditions.

It is impossible to determine from these Bureau tables and the introductory remarks relating thereto just how the rate figures were developed. My experience with Bureau figures does not lead me to accept such figures without careful examining and questioning. There is no evidence that the rates indicated would provide for proper repayment of the power investment in Palisades and Burns Creek and the irrigation costs presently scheduled to be repaid from Palisades revenue. In fact, everything points to just the opposite. While it is not possible to determine the exact extent to which presently scheduled repayments of power and irrigation investments are to be postponed or stretched out, there can be no question that such action is involved. It is also evident that the presently expected Palisades surplus that would accrue by the year 2010 would be elimi-

nated. The added compound interest cost to the taxpayers of the Nation by the stretchout or postponement of power investment repayment and the stretchout or postponement of interest-free irrigation repayments would undoubtedly total many millions of dollars.

It is to be noted that in nearly every case the rates presented by these Bureau tables show, for each specific rate group, a uniform percentage increase for all classes of energy, i.e., firm, non-Federal pumping, project use, seasonal nonfirm, and dump.

It is highly questionable whether the private utilities of the area, who are the only market for the sale of dump, seasonal nonfirm, or other surplus power from the Palisades project, would be willing to pay any increase in the rate for such power. Nor does it seem logical that they would agree to absorb the additional dump and other surplus power that Burns Creek would produce and pay an increase over present rates. If the dump power rate or any other rate could not be increased, then to achieve the same purported payout schedule, rates for the other types of power would have to be increased accordingly.

The sale of this dump and other surplus power is absolutely essential to maintain the Palisades projects presently scheduled payout program. The sale of such dump power would be even more necessary on the proposed Burns Creek project.

I have prepared a number of questions relative to these tables and the project payout and related irrigation payout question. I ask that these be transmitted to the Bureau of Reclamation for answers to be inserted in the record. In practically every instance the answer should be a simple "Yes." I must ask that you insist that the Bureau confine itself to direct and concise answers without unwarranted verbiage. To determine whether the answers are responsive and factual, I would like to have the opportunity to examine such answers before their inclusion in the printed record.

The questions are as follows:

1. Is it not true that the estimated average annual net revenue from the present Palisades project based on present rates was reported by the Bureau to be $1,147,800?

2. Is it not true that the estimated average annual incremental net revenue from the proposed Burns Creek project based on present Palisades rates was reported by the Bureau to be $1,147,000?

3. Is it not true that the annual interest cost on the estimated $47,872,000 Burns Creek investment cost to be allocated to power would be—

$1,436,160 at 3 percent interest,
$1,974,720 at 4⅛ percent interest, and
$2,034,560 at 4¼ percent interest?

4. Is it not true that this interest cost would be in excess of the net annual revenue to be expected from the Burns Creek project under present Palisades rates by—

$289,160 at 3 percent interest,
$827,720 at 4⅛ interest, and
$887,560 at 4¼ percent interest?

5. Is it not true that the annual cost of amortization of the estimated Burns Creek power investment of $47,872,000 over a 50-year period would be——

$424,000 at 3 percent interest,
$300,000 at 4⅛ percent interest, and
$287,000 at 4¼ percent interest?

6. Is it not true that the total annual interest and amortization cost for Burns Creek on the basis of the reported estimated power investment of $47,822,000 over a 50-year period would be—

$1,850,000 a 3 percent interest,
$2,275,000 at 4⅛ percent interest, and
$2,321,000 at 4¼ percent interest?

7. Is it not true that this interest and amortization cost for Burns Creek would exceed the expected annual revenue from Burns Creek under present Palisades rates by—

$703,000 at 3 percent interest,
$1,128,000 at 4⅛ percent interest, and
$1,174,000 at 4¼ percent interest?

8. Listed on the next page are 12 of the higher rate groups taken from the Bureau's 6 power rate tables. Opposite each rate group shown are computed figures for the indicated increase in the estimated net revenue from the Palisades and Burns Creek combined over that reported under present Palisades rates. Is it not true that these figures are correct as shown?

Rate group	*Annual increase in net revenues*
Table No. 1:	
3 percent interest	$204,012
4⅛ percent interest	778,866
4¼ percent interest	860,637
Table No. 1B:	
3 percent interest	126,886
4⅛ percent interest	482,656
4¼ percent interest	532,489
Table No. 2:	
3 percent interest	87,126
4⅛ percent interest	547,571
4¼ percent interest	599,526
Table No. 2B:	
3 percent interest	17,349
4⅛ percent interest	293,545
4¼ percent interest	358,520

9. Is it not true that a comparison of the figures shown under item 8 with the corresponding deficit in Burns Creek net revenues shown under item 7 discloses that the additional annual net revenue to be expected from Palisades and Burns Creek as a result of the increase in rates over those presently in effect for Palisades would fail to eliminate such annual deficits by amounts ranging from $314,000 at the lowest to $835,000 at the highest?

Mr. Chairman, logically it follows that the purported payout under the increased rates presented in the Bureau tables stems, for the most part, not from a proper increase in rates, but from a postponement or lengthening of the payout period for the irrigation investments to be repaid by use of Palisades power revenues, and the utilization of the Palisades surplus of $32 million or more that would otherwise accrue within the indicated payout period.

I believe that there should be a proper comparison of the surplus that would be accumulated by the Palisades project under present rates and interest charges and those which would accrue under the various "rate groups" mentioned in the Bureau's six power rate tables under discussion. To this end, my questions continue.

10. What would be the expected surplus on the present Palisades project at the end of the 50-year payout period of 2010 (as indicated in these rate tables), using present rates and present payout schedule?

11. What would the respective Palisades surplus be at the end of the indicated 50-year payout period (year 2010) under item 10 conditions, if compound interest at 3 percent, 4⅛ percent, or 4¼ percent were credited to such surplus?

12. Under the various rate groups shown in the six Bureau tables, which have interest costs of 3 percent or more, is it not true that no (or practically no) surplus is contemplated in the year 2010 for the combined Palisades and Burns Creek projects. If this is not true, show the surplus contemplated for each such "rate group."

13. If, as appears certain, these various rate groups were predicated in part on a stretchout or postponement of presently scheduled repayment of irrigation investments through the use of Palisades power revenues, what would be the compound interest cost to the taxpayers of the Nation, by the year 2010, for each payout schedule covering each rate group shown in item 7?

I believe it is evident on the record that the presentation of six power rate tables by the Bureau is a deliberate fraud in that they purport to show rates that would provide for a payout of the Burns Creek project without disclosing the tremendous hidden subsidies that would have to be paid by the taxpayers of the Nation. I ask that this letter, together with the factual answers from the Bureau to the questions presented herein, be inserted in the printed hearings on the Burns Creek project.

Any effort by the Bureau to evade the questions presented must be taken as an admission that the project cannot stand up under proper scrutiny of the facts.

Sincerely,

JOHN P. SAYLOR, *Member of Congress.*

QUESTIONS ASKED BY CONGRESSMAN SAYLOR OF THE BUREAU OF RECLAMATION AND THE ANSWERS THERETO

Question 1. Is it not true that the estimate average annual net revenue from the present Palisades project based on present rates was reported by the Bureau to be $1,147,800?

Answer. Yes, this was true, based on conditions before the August 1959 coordination contract with Idaho Power Co.

Question 2. Is it not true that the estimated average annual incremental net revenue from the proposed Burns Creek project based on present Palisades rates was reported by the Bureau to be $1,147,000?

Answer. Yes.

Question 3. Is it not true that the annual interest cost on the estimated $47,872,000 Burns Creek investment cost to be allocated to power would be $1,436,160 at 3 percent interest, $1,974,720 at 4⅛ percent interest, and $2,034,560 at 4¼ percent interest?

Answer. No, because the annual interest cost diminishes annually due to gradual retirement of the investment. The figures shown are correct for the first year of full investment.

Question 4. Is it not true that this interest cost would be in excess of the net annual revenue to be expected from the Burns Creek project under present Palisades rates by $289,160 at 3 percent interest, $827,720 at 4⅛ percent interest, and $887,560 at 4¼ percent interest?

Answer. Incremental net revenues are less than computed interest cost on the incremental investment based on the interest rates indicated, but the interest cost for the combined project is not in excess of the combined net revenues, based on 3 percent interest rate. The arithmetical computations are correct.

Question 5. Is it not true that the annual cost of amortization of the estimated Burns Creek power investment of $47,872,000 overa 50-year period would be $424,000 at 3 percent interest, $300,000 at 4⅛ percent interest, and $287,000 at 4¼ percent interest?

Answer. The arithmetical computations are essentially correct.

Question 6. Is it not true that the total annual interest and amortization cost for Burns Creek on the basis of the reported estimated power investment of $47,822,000 over a 50-year period would be $1,850,000 at 3 percent interest, $2,275,000 at 4⅛ percent interest, and $2,321,000 at 4¼ percent interest?

Answer. The arithmetical computations are essentially correct.

Question 7. Is it not true that this interest and amortization cost for Burns Creek would exceed the expected annual revenue from Burns Creek under present Palisades rates by $703,000 at 3 percent interest, $1,128,000 at 4⅛ percent interest, and $1,174,000 at 4¼ percent interest?

Answer. Incremental net revenues are less than computed interest and amortization cost on the incremental investment based on the interest rates indicated, but the interest and amortization cost for the combined project is not in excess of the combined net revenues, based on 3 percent interest rate. The arithmetic computations are essentially correct.

Question 8. Listed below are 12 of the higher rate groups taken from the Bureau's six power rate tables. Opposite each rate group shown are computed figures for the indicated increase in the estimated net revenue from the Palisades and Burns Creek combined over that reported under present Palisades rates. Is it not true that these figuers are correct as shown?

Rate group	*Annual increase in net revenues*
Table No. 1:	
3 percent interest	$204,012
4⅛ percent interest	778,866
4¼ percent interest	860,637
Table No. 1B:	
3 percent interest	128,886
4⅛ percent interest	860,637
4¼ percent interest	522,499
Table No. 2:	
3 percent interest	87,126
4⅛ percent interest	547,571
4¼ percent interest	599,326
Table No. 2B:	
3 percent interest	17,549
4⅛ percent interest	293,545
4¼ percent interest	358,520

Answer. We are unable to check exactly the figures shown, but they are approximately correct.

Question 9. Is it not true that a comparison of the figures shown under item 8 with the corresponding deficit in Burns Creek net revenues shown under item 7 discloses that the additional annual net revenue to be expected from Palisades and Burns Creek as a result of the increase in rates over those presently in effect for Palisades would fail to eliminate such annual deficits by amounts ranging from $314,000 at the lowest to $835,000 at the highest?

Answer. Only if it is proposed that the increase in net revenues must, by themselves, make up the incremental difference between amortization and interest cost of the Burns Creek interest-bearing investment and the incremental net revenues, can the statement be correct. Based upon such a proposal, the computations shown are essentially correct.

Question 10. What would be the expected surplus on the present Palisades project at the end of the 50-year payout period of 2010 (as indicated in these rate tables), using present rates and present payout schedule?

Answer. $23,455,164.

Question 11. What would the respective Palisades surplus be at the end of the indicated 50-year payout period (year 2010) under item 10 conditions, if compound interest at 3 percent, 4⅛ or 4¼ percent were credited to such surplus?

Answer. If it is assumed, as the question would seem to require, that the surplus revenues from the Palisades project, which without Burns Creek being added, began to accumulate in 1990 and reach a total of $23,455,164 in the year 2010 were somehow or other invested at compound interest, the total value of such investments in the year 2010 would be as follows:

3-percent interest	$31,743,362
4⅛-percent interest	35,746,226
4¼-percent interest	36,227,170

Question 12. Under the various rate groups shown in the six Bureau tables, which have interest costs of 3 percent or more, is it not true that no (or practically no) surplus is contemplated in the year 2010 for the combined Palisades and Burns Creek projects. If this is not true, show the surplus contemplated for each such "rate group."

Answer: The computations of the increases in rate were based on a specific question propounded by Congressman Aspinall, and no consideration of surplus was stipulated, consequently, there would be no (or practically no) surplus in the year 2010.

Question 13. If, as appears certain, these various rate groups were predicated in part on a stretchout or postponement of presently scheduled repayment of irrigation investments through the use of Palisades power revenues, what would be the compound interest cost to the taxpayers of the Nation, by the year 2010, for each payout schedule covering each rate group shown in item 7?

Answer. Based on the conditions under which the question from Mr. Aspinall was answered, Palisades alone would have returned the irrigation assistance between the year 1971 and the year 1990. When Burns Creek is added under these same conditions, the irrigation assistance is returned between the year 2000 and the year 2010. If it is assumed, as the question would seem to require, that the above increase in time results in a compound interest cost, a theory with which we disagree, then such interest cost would be as follows:

With interest at 3 percent	$30, 123, 023
With interest at 4⅛ percent	49, 542, 157
With interest at 4¼ percent	52, 039, 034

(Whereupon, at 11:40 a.m. the subcommittee was recessed, to reconvene subject to the call of the Chair.)

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